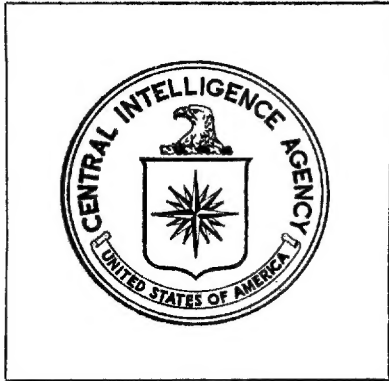


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*Communist Aid and Trade Activities  
in Less Developed Countries, May 1975*

**Secret**

ER RP 75-20

July 1975

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**CONTENTS AND SUMMARY OF EVENTS**  
**(May 1975)**

**Highlights**

25X1B Significant Soviet activity in the Third World in May focused on North Africa. During a visit to Libya, Soviet Chairman Kosygin apparently signed a military agreement [REDACTED] Kosygin flew on to Tunisia, where he signed an agreement in principle to construct two dams, a Soviet specialty in the area. Soviet officials arrived in Morocco to resume negotiations on a deal to develop phosphate deposits in return for a long-term Moroccan contract to supply phosphate rock. China signed its first direct trade contracts with Bangladesh and was negotiating its first long-term iron ore purchase agreement with an LDC. The Philippines received its first Communist aid, from Romania, while Bucharest was the beneficiary of a bond issue sponsored by Kuwait on behalf of the Romanian Foreign Trade Bank.

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**General**

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**Africa**

Soviet Chairman Kosygin Visits North Africa . . . . . 3

Chairman of the USSR Council of Ministers Kosygin signed agreements with Libya and Tunisia during visits to the two countries in May.

Soviet MIG-23 Deliveries to Libya . . . . . 4

The USSR delivered the first MIG-23 to Libya during May under an arms agreement concluded last year.

USSR and Morocco Resume Discussions on Phosphate Agreement . . . . . 4

Soviet and Moroccan officials resumed discussions on a draft agreement calling for Soviet assistance for exploitation of phosphate deposits at Miskalas in return for long-term phosphate rock deliveries from Morocco.

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# East Asia

## **Indonesia Proposes Projects for Communist Financing . . . . . 4**

The Indonesian National Planning Board has compiled a list of project proposals for Soviet and East European financing valued at \$825 million.

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## **Philippines Receives First Communist Credits . . . . . 5**

Romania became the Philippines first Communist aid donor with a pledge of \$31 million in credits for a thermal powerplant.

# Latin America

## **Brazil and China Negotiate Iron Ore Contract . . . . . 5**

During May, China was negotiating a long-term iron ore purchase contract with Brazil, its first major deal with an LDC iron ore producer.

## **Peru Signs \$95 Million in Contracts with Hungary . . . . . 6**

Peru signed contracts in May to deliver \$75 million in Peruvian commodities to Hungary over the next five years and to purchase \$20 million in Hungarian equipment under credit.

# Near East and South Asia

## **Bangladesh Signs First Trade Contracts with China . . . . . 6**

Bangladesh and China established their first formal trade links with the conclusion of four contracts in May.

## **Egypt and USSR Sign Economic Agreements . . . . . 7**

Egypt and the USSR signed contracts to go ahead with construction of a cement plant, expansion of an aluminum plant at Naja Hamadi, and other projects.

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Romania Negotiates Kuwaiti Financing . . . . .

7 delete  
for all

During May, Romania's Oil Minister visited Kuwait to discuss the joint establishment of a billion dollar petrochemical complex in Romania to use Kuwaiti oil. In addition, Kuwait sponsored a second bond issue, valued at \$40 million, on behalf of the Romanian Trade Bank.

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COMMUNIST AID AND TRADE ACTIVITIES  
IN LESS DEVELOPED COUNTRIES

MAY 1975

General

Summary of ER IR 75-16, Communist Aid to Less Developed  
Countries of the Free World, 1974

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for oil*

New Communist military and economic aid to the less developed countries (LDCs) of the Free World dropped to US \$2.7 billion in 1974, its lowest level in three years. In spite of the reduced program, there was no apparent change in Communist aid policy. Programs under way continued at roughly the same pace as in most recent years, and the number of Communist military and economic personnel stationed in LDCs increased.

Most of the decline in 1974 was in military aid, which dropped sharply from the abnormally high crisis levels of 1973. Military aid, always more politically oriented than economic aid, although 30% smaller in 1974, demonstrated again the extent of the Soviet and East European commitment to the Middle East. For Iraq it was a record year; for Syria, second only to 1973. Reflecting the strains in Soviet-Egyptian political relations, Egypt received no new military aid, while aid to Iraq and Syria accounted for more than 60% of the USSR's and Eastern Europe's \$1.2 billion of new military assistance to the LDCs. Iraq and Syria also had the largest contingents of Communist military advisers. Most significantly, Moscow's new deliveries of equipment to Iraq and Syria surpassed in sophistication the equipment furnished to any other LDC. The supersonic MIG-23 jet fighters, shipped to

Note: The substance of this publication has been coordinated with the Bureau of Intelligence and Research of the Department of State, with the Defense Intelligence Agency, and with the Agency for International Development. Comments and queries regarding this publication are welcomed. They may be directed to [REDACTED] of the Office of Economic Research, Code 143, Extension 5291.

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Iraq and Syria, have not been provided to Warsaw Pact countries. Also reflecting political overtones, Iran was the only other country to receive a large new military commitment in 1974 -- [REDACTED] ground 25X1B forces equipment, military support, and engineering equipment.

Moscow and Eastern Europe continued to use economic aid to advance and protect their commercial and long-term economic interests. Again, in 1974, the formation of joint industrial and commercial ventures with LDCs increased, and joint committees for economic cooperation were operating in a number of LDCs as coordinating and aid planning bodies. New Soviet and East European economic commitments in 1974 totaled \$1.2 billion, about the same as in 1973 but 25% below the 1971-72 records. The failure to furnish large blocks of new aid reflected mostly the continuing slow drawdown of previous aid. Although drawings against unused economic credits in 1974 reached a new high of \$930 million, they were propelled by a record \$265 million Soviet grain shipment to India. Otherwise, drawings would have approximated recent annual levels.

The commercial motivation for economic aid was highlighted by the large Communist credits to Argentina, intended to correct the imbalance in Soviet and East European trade with Argentina. Other major Soviet and East European economic aid went largely to ongoing projects, such as Moscow's new credit (\$216 million) to Pakistan for a steel mill being built with \$210 million of Soviet aid extended in 1971. In an unusual move, Moscow agreed to provide one-half of its \$28 million budget support credits to Bangladesh in hard currency.

China's \$200 million of new economic aid in 1974 marked a significant drop from its \$575 million annual commitments since the Cultural Revolution. Although still pursuing an active aid program in Africa, Peking reduced its new economic aid pledges, mostly because of a lack of opportunities and because outflows still were heavy for completing the Tan-Zam Railroad, China's largest single aid project in the Third World. Nevertheless, Peking's area of interest was unchanged, and except for a \$25 million credit to Laos, its major effort continued on the African continent.

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25X1B Peking's two major clients -- Tanzania and Zambia -- again took the lion's share (65%) of China's total economic aid. Its only significant military commitment [REDACTED] was to its chief military client -- Pakistan. (Secret No Foreign Dissem)

Africa

Soviet Chairman Kosygin Visits North Africa *OK for all*

25X1B Chairman of the USSR Council of Ministers Kosygin visited Libya and Tunisia during May for wide-ranging talks on economic and political matters. Kosygin probably negotiated a new military agreement with Libya in the [REDACTED] (Confidential)

25X1B As a result of discussions in Libya, the two sides signed an economic and technical assistance agreement, whose provisions will be further elaborated during the annual meeting of the Soviet-Libyan joint economic commission in June. Libya has requested Soviet assistance for an iron and steel plant and a nuclear powerplant, but it is unlikely that agreement on these projects was reached. There was no public reference to discussions of Libyan oil sales to the USSR. On the military side, Moscow has denied Egyptian press allegations that a multibillion dollar military agreement was signed during the visit, but the USSR probably signed a military supply agreement valued at [REDACTED] Libyan Chairman Qadhafi accepted the Soviet leader's invitation to visit the USSR, presumably in the near future. (Confidential)

In Tunis the Soviet delegation studied Tunisian requests for Soviet assistance to Tunisia's new five-year plan. The USSR announced agreement in principle to construct two dams under some \$18 million of previous Soviet credits and offered to expand Tunisia's fishing industry. (Confidential)



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Soviet MIG-23 Deliveries to Libya

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The USSR delivered [REDACTED] MIG-23s to Libya in May, the first MIG-23s in Tripoli's inventory. The shipment moved under an arms agreement concluded with the USSR last year. Libya becomes the fourth Arab country to receive the advanced MIG-23. (Secret No Foreign Dissem)

USSR and Morocco Resume Discussions on Phosphate Agreement

Soviet and Moroccan officials resumed talks in Rabat on Soviet development and exploitation of the Miskalas phosphate deposits. The draft agreement calls for Soviet financing and construction of a phosphate mine at Miskalas, construction of a 20-mile railroad to the port of Essouira, and installation of phosphate handling facilities at the port. Under the proposal, the USSR would buy 3-5 million metric tons of phosphate rock a year in 1980-90 and 10 million tons annually for a subsequent 15-20 years. Negotiations which have gone on for more than a year foundered because Morocco refuses to permit the USSR to reexport Moroccan phosphates or to use them to raise exports of Russian-produced phosphates. Morocco also wants a shorter term contract. Recent softening in demand for Moroccan phosphates may strengthen the Soviet bargaining position. (Confidential)

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East Asia

Indonesia Proposes Projects for Communist Financing

The Indonesian National Planning Board has compiled a list of projects suitable for Soviet and East European financing valued at \$825 million. The proposals concentrate on development of ports, inland waterways, inter-island transport, and Indonesia's oceangoing fleet. Construction activity and ship procurement carry a total price tag of more than \$500 million. An additional \$95 million is for power development and \$35 million for the rehabilitation of railroad and motor transport facilities. The remaining projects are scattered over agricultural processing and manufacturing industries. (Secret No Foreign Dissem)

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During a tour of the USSR and Eastern Europe last fall, Indonesian Foreign Minister Malik received assurances that Indonesian aid requests would receive favorable consideration. The USSR signed a new economic and technical assistance agreement in December. The magnitude of credits will be set after Soviet review of Indonesian project suggestions. (Secret No Foreign Dissem)

Indonesia's interest in following up on aid requests to Communist countries may have cooled since Western countries pledged over \$900 million in new aid at their annual consortium meeting in May. This level was higher than pledges in 1974. Jakarta's initiatives in seeking aid from Communist countries last year were prompted by fears of a sharp decline in Western aid attendant on Indonesia's increased oil earnings. (Secret No Foreign Dissem)

Philippines Receives First Communist Credits *OK for all*

During a state visit to the Philippines in April, Romanian President Ceausescu signed an agreement to provide \$31 million for construction of a thermal powerplant on Cebu. The terms of the credit agreement, Manila's first with a Communist country, were not announced. Romania also agreed to buy \$65 million worth of nickel over the next six years. For its part, the Philippines signed contracts to purchase offshore oil drilling equipment, valued at \$3.6 million, and 500 Romanian tractors. (Confidential)

Latin America

Brazil and China Negotiate Iron Ore Contract *delete for all*

Negotiation of a 10-year contract with Brazil marks China's first attempt to conclude a long-term iron ore agreement with an LDC producer. A Brazilian firm has offered 6.9 million tons of ore to be shipped at a rate of about 700,000 tons annually through 1984. Prices would be negotiated each year, but the current market value of the agreement is estimated at a

minimum of \$80-\$90 million. The new agreement is consistent with Chinese initiatives over recent years to assure long-term supplies of basic raw materials for Chinese industry. Brazil, with its abundant supplies of agricultural and other primary products, has become a particularly important trading partner for China over the past three years. (Secret No Foreign Dissem)

Peru Signs \$95 Million in Contracts with Hungary - OK for all

During May, Peru signed a \$20 million contract with Hungary for expanding the Canon del Pato hydroelectric plant as the final allocation under a \$38 million credit extended in 1972. Lima previously has drawn on the credit to finance purchases of power generating and distributing equipment and educational materials. Long-term trade contracts signed at the same time are valued at about \$75 million. Among other items, Peru will export 40,000 tons of fishmeal annually (1976-78), worth \$30 million at current prices, as well as an estimated \$36 million of copper and other metals during 1975-80. Hungary is Peru's major East European trading partner. In 1974, trade between the two countries totaled \$19 million, of which only \$5.5 million represented Peruvian exports. (Unclassified)

Near East and South Asia

Bangladesh Signs First Trade Contracts with China - OK for all

The Dacca press reported in May that Bangladesh established its first formal direct trade links with China during the visit of a four-man delegation to the Canton Trade Fair. Four contracts reportedly were signed, but the goods to be traded were not announced. The agreements were hailed as a prelude to the establishment of diplomatic relations. (Unclassified)

Bangladesh has been seeking new markets for its jute products and views China as a potentially important source of cheap consumer goods

imports. In addition, Dacca probably hopes that China might agree to persuade Pakistan to adopt more favorable policies on the division of assets and repatriation of Bangladesh nationals, questions outstanding since Bangladesh achieved independence in 1971. Pakistan is the largest recipient of Chinese economic and military aid in the Third World. (Unclassified)

Egypt and USSR Sign Economic Agreements

*OK for all*

Egypt and the USSR concluded a number of economic agreements during May which should heighten activity at existing Soviet project sites in Egypt. The USSR signed final contracts valued at \$105 million to go ahead with a 600,000-ton cement plant at Asyut, to increase the capacity of the Soviet-assisted Naja Hamadi aluminum complex to 166,000 tons annually, and to expand a machinery plant. The USSR will take 35% of Egypt's aluminum output. The two sides also discussed third-stage expansion at the Helwan iron and steel complex, an undertaking that will require new credits. Second-stage activity now in progress will raise steel capacity to 1.5 million tons a year by 1976. (For Official Use Only)

The two countries also signed protocols on electrification projects valued at \$15.6 million. Projects include installation of transformers in upper Egypt, renovation of the Suez power station, and improvements to the Aswan power station. (For Official Use Only)

Romania Negotiates Kuwaiti Financing

*delete for all*

Romania's Oil Minister visited Kuwait in May for talks which reportedly covered joint participation in a petrochemical complex in Romania at a total cost of \$1 billion. Kuwait would supply 49% of the equity as well as the crude oil feedstock for the venture. (Unclassified)

Romania already is importing small amounts of Kuwaiti crude under an agreement signed in 1974. The new complex may come under an economic

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cooperation pact signed last year which calls for development of joint projects in the chemical, petroleum, and construction industries over the next five years. (Secret No Foreign Dissem)

In addition, the Kuwait International Investment Company was arranging a second bond issue on behalf of Romania during May. The \$40 million issue was to carry the same terms as a \$60 million note negotiated in March, which was fully subscribed by the Kuwait Ministry of Finance on behalf of the Romanian Bank of Foreign Trade. Repayment is scheduled for eight years at 9.5% interest. (Secret No Foreign Dissem)

Kuwait and other OPEC countries are likely to increase economic contacts with Eastern Europe in search of new sources of raw materials and outlets for surplus funds. East European countries, in turn, are seeking means to finance higher oil and other import costs. Budapest will send an economic delegation to Kuwait in June, most likely to follow up an earlier Hungarian request for a \$300 million line of credit from Kuwait. (Confidential)

#### OTHER ACTIVITIES

##### Economic

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##### Africa

Angola. The Secretary General of the Front for the National Liberation of Angola (FNLA) intends to travel to Peking in the near future to request increased Chinese military and financial assistance to his movement. China currently is providing military instructors for the FNLA army. (Secret No Foreign Dissem)

Gabon. Gabon signed an agreement on economic and technical cooperation with Romania in May, Gabon's first such pact with a Communist

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country. A trade agreement was signed at the same time. The two sides agreed to set up a joint committee to identify areas suitable for Romanian assistance. Projects mentioned include a petroleum refinery and petrochemical complex, agricultural development, and medical centers. (Unclassified)

Ghana. China and Ghana signed a protocol to their 1972 trade agreement calling for a trade turnover of \$21 million during the next year. Ghana will export timber, minerals, cocoa, and other agricultural products in return for agricultural machinery, ferrous metals, and textiles. (Unclassified)

Mozambique. Frelimo leader Machel reportedly departed for a week's stay in the USSR in mid-May. The USSR has offered economic and military support to Mozambique following independence on 25 June. (Confidential)

Somalia. A high-level Somali agricultural official departed for Peking at the invitation of Chinese officials to discuss assistance to animal husbandry, the development of water resources, and aid to the forestry industry. China has been providing agricultural assistance to Somalia for more than 10 years under an \$18 million credit agreement. (Unclassified)

#### East Asia

Indonesia. The Indonesian government has approved the direct sale of up to 10,000 metric tons of rubber to Bulgaria, with delivery to begin within three months. The transaction could be worth up to \$5.3 million. (Unclassified)

Philippines. Hungary and the Philippines began formal negotiations on their first trade agreement on 19 May. (Unclassified)

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Latin America

Brazil. Brazil is studying a Polish proposal to purchase ships of 20,000 to 50,000 tons from Brazil and to sell ships of up to 200,000 tons to Brazil. Earlier this year, the two countries signed a \$1 billion agreement for the exchange of Polish coal for Brazilian iron ore. (Unclassified)

Ecuador. Construction is scheduled to start in June on a joint astronomy research station to be manned by Soviet and Ecuadorean scientists. (Unclassified)

Mexico. During May, China agreed to buy 1,000 tons of Mexican coffee valued at \$1 million. Trade between the two countries has been active since the conclusion of their first trade agreement two years ago, and in 1973 exchanges approached \$40 million. (Unclassified)

Mexican officials have responded coolly to an East German offer of \$10 million in credits for the purchase of communications equipment. The offer reportedly involved discounts of up to 30% on the German equipment, which could be paid for under a barter agreement. (For Official Use Only)

The USSR and Mexico signed a technical protocol on 20 May calling for cooperation in machine building, energy, agriculture, geology, and other fields. A joint committee will oversee technical exchanges under the agreement. (For Official Use Only)

Trinidad and Tobago. Peking agreed to purchase sugar, cocoa, and coffee and to consider purchases of other traditional products during the visit of a trade mission from Trinidad in May. It is not known whether the two sides considered a recent Chinese proposal to exchange oil industry technicians. (Unclassified)

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Near East and South Asia

Bangladesh. Bangladesh and East Germany concluded their annual barter trade protocol on 30 April calling for the exchange of \$5 million of East German medical and pharmaceutical goods, fertilizers, and typewriters for jute goods and other products. (Unclassified)

Cyprus. Bulgaria signed an agreement to employ Cypriot personnel on construction projects in Bulgaria. The number of workers involved was not disclosed. (Unclassified)

The USSR will supply equipment for sulfuric and phosphoric acid plants in Cyprus under the provisions of a trade contract to be signed in the near future. The USSR already has delivered port equipment and a cement plant to Cyprus, probably under an agreement signed earlier this year. (Unclassified)

Egypt. The Romanian-Egyptian trade protocol for 1975, signed in mid-May, calls for a total turnover of \$156 million, a slight increase over 1974. (Unclassified)

India. The USSR has allocated \$7 million for the preparation of engineering studies for development of coal fields at Singravli and Raniganj. (Unclassified)

A Soviet delegation led by the Deputy Foreign Trade Minister arrived in India to continue negotiations on a new long-term trade agreement for 1976-80. The two sides have announced plans to double the present level of exchanges by 1980. In 1974, Soviet-Indian trade totaled \$812 million. (Unclassified)

Iran. Czechoslovakia and Iran signed a protocol to double trade in 1975 to \$80 million. (Unclassified)



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Iraq. The PRC will purchase 50,000 tons of sulfur from Iraq under a contract signed on 28 May. Deliveries will be completed in six months. (Unclassified)

The joint Romanian-Iraqi economic commission signed trade and economic agreements during a session held in Bucharest early in May. Romania agreed to provide assistance to agriculture and the petroleum industry. Romania extended \$35 million in credits to Iraq for oil development in 1971. Little activity has taken place under this agreement. (Unclassified)

South Yemen. China signed a formal agreement in May to build a 140-mile road, probably with funds from a 1972 agreement. (Unclassified)

Turkey. The USSR and Turkey concluded an agreement to expand the capacity of the Soviet-financed Iskenderun steel mill from 1 to 2 million tons of steel. In 1972 the USSR extended \$158 million for second stage expansion at the plant, bringing total commitments to the project to \$421 million. (Unclassified)

Turkey's National Assembly has endorsed an agreement with the USSR for joint construction of a dam on the Arpa Cayi River. Turkey's contribution to the project, which will irrigate 40,000 acres on the Igdir plain, totals \$2 million. (Unclassified)

United Arab Emirates. A Romanian delegation to Abu Dhabi outlined proposals to purchase crude oil in exchange for Romanian equipment and expertise for the petroleum industry. (Unclassified)

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Military

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Africa

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Congo. The PRC delivered [redacted] small patrol boats and [redacted] helicopters to Pointe Noire in March. [redacted]

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[REDACTED] These deliveries are part of a [REDACTED] military aid program which has been under way since late 1964. (Secret No Foreign Dissem)

Somalia. In early May a 16-member Somalian military delegation left for a 10-day visit to the USSR. The delegation was expected to hold talks on bilateral military relations with the Soviet government. (Unclassified)

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Sudan. A Chinese military delegation left Peking on 19 May for Sudan, to take part in the sixth anniversary celebration of the 29 May Revolution. China has previously provided some [REDACTED] worth of military equipment to Sudan, including jet fighters and tanks. Although no major Chinese deliveries have occurred since 1973, about [REDACTED] in arms remains to be delivered. The delegation may discuss delivery schedules for the remaining equipment. (Secret No Foreign Dissem)

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Zaire. North Korea has made its first delivery of artillery to Zaire. In late March, [REDACTED] North Korean artillery pieces were observed being unloaded from a ship in Matadi. A North Korean-Zaire arms accord covering this delivery was concluded last year when military delegations were exchanged. Additional deliveries will probably include the range of weapons common to a North Korean infantry division -- machineguns, antitank missile launchers, recoilless guns, mortars, and artillery. (Confidential)

Near East and South Asia

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Afghanistan. [REDACTED] Kraz-255 prime movers were shipped from the USSR to Afghanistan in late March and an additional [REDACTED] were delivered in early April. These are the first known military deliveries since November 1974, when deliveries stopped because of the winter weather. Tanks are expected to be delivered soon; tank transporters were recently observed at a Soviet-Afghan transshipment point. (Confidential)

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almost certainly includes Soviet military exports\* as well as East European exports under military contracts and economic aid agreements.

### Discussion

#### Rising Prices Have Major Impact

5. Far higher prices for the food, metals, minerals, and other primary products that constitute the bulk of Communist purchases from LDCs contributed heavily to the overall increase in Communist-LDC trade. In 1973, for example, the USSR paid 30% more for rubber and 40% more for sugar, and the price for raw wool more than doubled. The world market price of other major Communist imports, such as Latin American copper, grain, and fishmeal, rose 60%-90% in 1973 compared with 1972. Throughout the year, prices for primary products rose faster than those for manufactures. The increase in prices of Soviet exports, dominated by machinery and equipment deliveries, reportedly increased by about 10% in 1973.

6. As world demand and prices rose for primary products in 1973 some LDCs began to take a hard look at the profitability of their long-term barter arrangements with Communist countries. LDC producers became less willing to accept Communist machinery and equipment for hard currency earning exports. By 1974, several LDC exporters of petroleum, phosphates, metals, and agricultural raw materials had renegotiated some of their agreements with Communist countries to require payments in hard currency. Notable among these were Iran, Iraq, Syria, Ghana, Morocco, Nigeria, Sudan, and Tunisia. This phenomenon was less evident among sub-Saharan African countries than elsewhere. A large proportion of their imports from the USSR and China, are shipped under aid agreements. Communist countries often take less desirable commodities that do not find a ready market

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[REDACTED] *Delite for* [REDACTED]  
\* For a more detailed discussion of Soviet-LDC trade see ER IR 74-29, Record Soviet-LDC Trade in 1973, November 1974, Confidential.

COMMUNIST AID AND TRADE ACTIVITIES  
IN LESS DEVELOPED COUNTRIES,  
MAY 1975

ANNEX

COMMUNIST-LDC TRADE CONTINUES TO RISE IN 1973

Summary

1. Communist-LDC trade made unprecedented gains in 1973, overshadowing the record performance of the previous year. Price inflation and changes in the values of currencies, however, contributed substantially to the increase.

2. The dollar value of Communist-LDC trade turnover rose by almost 50%, to more than \$13 billion, compared with a growth in total world trade during the same period of about 40%. Still, LDC trade accounted for less than 15% of total Communist trade, and for the LDCs this trade was only 5% of their total turnover.

3. All Communist countries participated in the increase, but the rise in Chinese trade was proportionately greater than for others. The jump in trade with the LDCs reflected Peking's more vigorous initiatives to expand its markets and its need to augment raw material supplies to support its expanding industrial effort. China continued to show a surplus of more than \$200 million in its LDC trade, in spite of a large deficit with Latin American partners.

4. The overall Communist surplus in trade with the LDCs rose by \$900 million in 1973, to almost \$2.4 billion. Although much of the surplus cannot be distributed among LDC trading partners, the undistributed element

elsewhere. Communist countries probably do not press for annual settlements on barter account if African partners are facing severe payment difficulties.

#### Direction of Trade

7. Although Latin American countries emerged as major raw materials suppliers during 1973, they did not challenge the dominance of Near Eastern and South Asian countries in Communist trade (see the table).

8. The importance of the Near East and South Asian area was bolstered by a doubling in the value of Communist fuel imports to more than \$600 million. This increase reflected expanded volume, as well as price increases. Moscow almost tripled the volume of its crude imports from Iraq, but the price rose only 20%. Iraq, Iran, and Afghanistan were the source of most of the \$400 million of Soviet fuel purchased from the Third World. The volume of Eastern Europe's direct purchases of crude oil from LDC producers rose almost 80% in 1973.

9. Latin America's increased importance as a raw materials supplier reflected a rising demand in Communist economies for basic commodities to satisfy agricultural shortfalls and to expand industrial production. Latin America accounted for the largest relative gain -- more than 60% -- in Communist-LDC trade turnover. Most of the increase came from a near-doubling in the value of Communist imports of food, hides, and minerals. The hefty Communist deficit in Latin American trade, experienced by all Communist trading partners, doubled in 1973 to over \$800 million.

10. In an attempt to stem the rapid deterioration in their trade positions, all Communist countries intensified their sales campaigns in Latin America. These were accompanied in 1974 by liberal Soviet and East European offers of credits for sales of machinery and equipment. The USSR was negotiating several large contracts for sales of power equipment to

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Argentina and agreed to sell \$160 million of petroleum products to Brazil. However, most Communist trade activity was still on the buying side, with additional new contracts in 1974 for sugar and other products from Brazil; meat, grain, and hides from Argentina; and minerals and metals from Chile and Peru.

#### Commodity Composition

11. Communist countries remain primarily a market for LDC raw materials and agricultural products in spite of LDC attempts to increase their sales of manufactured goods. For the USSR, raw materials and foodstuffs still represented 55% of its total imports from the LDCs in 1973. Although the share of manufactures has doubled since 1960, it accounted for only 15% of total Soviet imports from the Third World. The most significant change in the composition of Soviet-LDC trade is the large increase of fuel as a share of total Soviet imports. It accounted for 17% of total Soviet imports from LDCs in 1973, compared with 12% in 1972 and only 7% in 1971.

12. Machinery and equipment dominate Soviet exports to the Third World, having accounted for 50%-55% of Soviet exports to LDCs for more than a decade. These sales have been maintained to some extent by credits provided under the Soviet aid program. The ruble value of Soviet crude oil sales to Third World customers dropped 15% in 1973, to only 6% of total exports. Manufactured goods and other crude materials, however, maintained their usual shares for most recent years of about 10% each.

13. The composition of East European trade is believed to follow the Soviet pattern with a somewhat heavier weight to crude materials and fuels in the import totals

14. Almost all of China's imports from LDCs were raw materials and food. Developing countries provided 45% of China's crude materials imports in 1973, including all of China's rubber, half of its cotton, and 45% of its nonferrous metals imports.

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15. Light manufactures accounted for one-half of the PRC's exports to LDCs while food made up most of the remainder. Among Peking's world exports in 1973, 80% of its grain (mostly rice) exports, 70% of its iron and steel exports, and 30% of its textiles went to the Third World. (Confidential)



Million US \$

	Total				USSR				Eastern Europe				China			
	1972		1973		1972		1973		1972		1973		1972		1973	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
all	5,114.4	3,640.2	7,716.5	5,342.0	2,495.6	1,697.3	4,063.8	2,406.4	1,871.0	1,429.0	2,522.0	2,041.0	747.8	513.9	1,130.7	894.6
Africa	752.2	582.7	994.7	828.5	249.3	241.2	283.8	271.0	253.4	205.1	360.4	301.5	249.5	136.4	350.5	256.0
Algeria	139.0	134.7	171.3	164.3	67.6	70.9	87.3	70.3	57.6 <sup>2</sup>	53.3 <sup>2</sup>	69.0 <sup>2</sup>	82.0 <sup>2</sup>	13.8	10.5	15.0 <sup>2</sup>	12.0 <sup>2</sup>
Angola	0.1	0.7	0.2	1.5	N.R. <sup>3</sup>	N.R.	N.R.	N.R.	0.1	0.7	0.2	1.5	Negl.	Negl.	Negl.	0.6
Burundi	.....	.....	2.7	.....	N.R.	N.R.	N.R.	N.R.	.....	.....	2.1	.....	.....	.....	0.6	.....
Cameroon	6.1	4.9	10.2	6.6	1.1	3.9	0.9	4.7	3.0	1.0	3.2	0.2	2.0	Negl.	6.1	1.7
Central African Republic	0.1	.....	0.5	.....	0.1	.....	0.5	.....	.....	.....	Negl.	.....	.....	.....	.....	.....
Chad	0.8	.....	1.1	.....	N.R.	N.R.	N.R.	N.R.	.....	.....	.....	.....	0.8	.....	1.1	.....
Congo	2.4	2.2	1.6	3.5	0.4	1.2	1.6	3.5	.....	.....	.....	.....	2.0	1.0	.....	.....
Dahomey	2.7	.....	2.8	2.8	1.7	.....	1.8	2.8	.....	.....	.....	.....	1.0	Negl.	1.0 <sup>2</sup>	Negl.
Equatorial Guinea	0.1	.....	4.2	0.1	.....	.....	4.2	.....	.....	.....	.....	.....	.....	.....	.....	.....
Ethiopia	11.5	8.6	15.0	13.4	1.9	2.5	2.2	3.0	6.6	1.0	8.9	0.9	3.0	5.1	3.9	9.5 <sup>2</sup>
Gabon	0.1	1.5	0.1	1.4	N.R.	N.R.	N.R.	N.R.	0.1	1.5	0.1	1.4	.....	.....	.....	.....
Gambia	4.4	.....	5.7	.....	N.R.	N.R.	N.R.	N.R.	1.6	.....	2.0	.....	2.8	.....	3.7	.....
Ghana	23.3	59.5	34.6	76.0	11.1	37.1	13.1	37.8	6.2	19.3	10.9	28.9	6.0	3.1	10.6	9.3
Guinea	54.3	6.8	56.4	2.6	54.3	6.8	56.4	2.6	.....	.....	.....	.....	.....	.....	.....	.....
Ivory Coast	7.7	10.0	6.6	10.0	2.1	4.3	5.3	8.4	4.3	5.4	1.3	1.6	1.3	0.3	.....	.....
Kenya	13.0	7.8	15.5	12.2	0.8	0.8	0.3	.....	8.8	2.5	10.6	3.5	3.4	4.5	4.6	8.7
Liberia	5.5	.....	12.1	.....	N.R.	N.R.	N.R.	N.R.	3.5	.....	5.2	.....	2.0	.....	6.9	.....
Libya	86.4	55.7	139.6	155.6	10.4	36.3	19.0	41.0	50.6	19.4 <sup>4</sup>	93.5	67.0 <sup>4</sup>	25.4	.....	27.1	47.6
Malagasy Republic	Negl.	1.5	10.1	0.8	.....	1.4	.....	0.4	Negl.	0.1	Negl.	.....	Negl.	.....	10.1	0.4
Mali	5.9	1.4	9.3	0.7	1.3	1.4	3.6	0.7	0.6 <sup>2</sup>	Negl.	0.6 <sup>2</sup>	Negl.	4.0 <sup>2</sup>	Negl.	5.1	Negl.
Mauritania	1.4	1.7	1.8	2.6	N.R.	N.R.	N.R.	N.R.	.....	1.7	.....	2.6	1.4	1.8	.....	.....
Mauritius	4.3	.....	6.4	.....	N.R.	N.R.	.....	.....	1.7	.....	1.2 <sup>2</sup>	.....	2.6	.....	5.2	.....
Malawi	.....	.....	0.5	Negl.	N.R.	N.R.	.....	.....	.....	.....	0.5	Negl.	.....	.....	.....	.....
Morocco	79.2	77.7	78.4	102.9	38.1	28.7	38.2	35.2	22.7	29.8	25.6	42.1	18.4	19.2	14.6	25.6
Mozambique	0.2	Negl.	0.2	0.1	N.R.	N.R.	.....	.....	0.2	Negl.	0.2	0.1	Negl.	.....	.....	.....
Niger	1.4	Negl.	.....	.....	N.R.	N.R.	N.R.	N.R.	0.3	.....	.....	.....	1.1	Negl.	.....	.....
Nigeria	65.6	35.0	91.9	54.9	10.9	24.0	14.8	39.0	28.2	5.1	41.2	8.2	26.5	5.9	35.9	7.7
Reunion	.....	.....	7.8	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	7.8	.....
Senegal	10.3	1.0	12.4	Negl.	1.7	0.4	6.6	.....	1.6	0.1	1.0	Negl.	7.0	0.5	4.8	N.R.
Sierra Leone	11.7	2.2	16.2	2.4	1.0	1.9	1.6	2.0	6.7	.....	8.8	.....	4.0	0.3	5.8	0.4
Somalia	17.0	5.3	34.4	2.4	14.2	3.5	15.5	1.5	0.3	1.4	0.1	Negl.	2.5	0.4	18.8	0.9
Sudan	66.2	66.0	63.7	85.3	20.7	1.3	3.4	.....	19.5	23.1	25.1	19.9	26.0	41.6	35.2	65.4
Tanzania	77.9	23.0	111.2	22.6	0.7	1.0	0.8	3.4	6.1	3.0	10.2	5.2	71.1	19.0	100.2	14.0
Togo	8.2	6.3	5.1	2.9	1.7	4.7	1.9	.....	2.5	1.6	1.3	2.5 <sup>2</sup>	4.0	.....	1.9	0.4
Tunisia	15.2	23.6	27.1	27.3	3.3	8.3	7.8	7.3	11.5	14.4	17.0	18.7	0.4	0.9	2.3	1.3
Uganda	6.5	24.2	4.8	17.6	4.1	0.8	1.2	3.2	1.7	17.1	2.2	9.0	0.7	6.3	1.4 <sup>2</sup>	5.4
Upper Volta	1.3	.....	2.5	20.9	N.R.	N.R.	N.R.	N.R.	0.2	.....	0.3	.....	1.1	.....	2.2	20.9
Zaire	.....	.....	8.3	0.1	N.R.	N.R.	N.R.	N.R.	.....	.....	6.5	0.1	.....	.....	1.8	.....
Zambia	22.4	21.4	26.6	30.9	N.R.	N.R.	N.R.	N.R.	7.2	3.6	11.6 <sup>2</sup>	6.1	15.2	17.8	15.0	24.8
Europe	170.3	117.5	247.5	130.0	26.9	27.7	42.0	14.3	127.2	88.9	182.9	109.1	16.2	0.9	22.6	6.6
Malta	6.7	0.8	14.0	0.8	1.6	Negl.	1.5	.....	4.1	0.8	11.0	0.7	1.0	.....	1.5	0.1
Portugal	19.6	7.9	30.3	10.3	.....	N.R.	N.R.	N.R.	19.6	7.5	29.7	10.2	.....	0.4	0.6	0.1
Spain	144.0	108.8	203.2	118.9	25.3	27.7	40.5	14.3	103.5	80.6	142.2	98.2	15.2	0.5	20.5	6.4
East Asia	350.1	203.1	539.6	391.0	17.8	91.7	18.8	144.4	33.5	47.4	49.8	105.8	298.8	64.0	471.0	140.8
Brunei	3.2	Negl.	3.8	Negl.	N.R.	N.R.	N.R.	N.R.	0.1	.....	0.1	.....	3.1	Negl.	3.7	Negl.
Burma	27.5	14.0	21.4	1.7	4.7	3.3	2.6	0.7	9.4	1.1	3.1	Negl.	13.4 <sup>2</sup>	9.6	15.7 <sup>2</sup>	1.0
Cambodia	.....	.....	.....	.....	.....	.....	.....	.....	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Indonesia	46.0	16.7	57.3	16.7	3.2	8.2	3.6	5.7	4.6	8.5	8.5	11.0	38.2	.....	45.2	N.A.
Laos	.....	27.2	0.1	.....	N.R.	N.R.	.....	.....	Negl.	0.1	0.1	.....	Negl.	27.1	Negl.	.....
Malaysia	73.8	84.2	159.6	250.3	1.2	70.7	1.2	130.5	3.6	10.8	10.8	39.1	69.0	2.7	147.6	80.7
Papua New Guinea	2.7	0.4	2.5	0.8	N.R.	N.R.	N.R.	N.R.	0.4	0.4	0.7	0.8	2.3	.....	1.8 <sup>2</sup>	.....
Philippines	1.5	25.2	24.9	6.6	.....	.....	.....	.....	0.6	0.6	.....	1.5	24.6	24.3	6.6	.....
Singapore	183.7	19.6	255.3	108.4	5.3	5.6	8.6	4.3	7.1	14.0	14.0	51.6	171.3	232.7	52.5	.....
Thailand	11.7	15.8	14.7	6.5	3.4	3.9	2.8	3.2	8.3	11.9	11.9	3.3	Negl.	.....	Negl.	.....
Latin America	200.7	616.2	242.7	1,072.4	32.0	164.2	55.8	386.6	154.1	268.6	150.9	390.5	14.6	183.4	36.0	295.3
Argentina	21.5	65.3	26.1	165.6	2.2	27.7	6.1	97.5	18.9	35.0	19.8	51.8	0.4	2.6	0.2	16.3
Bolivia	2.1	7.4	6.6	23.2	1.0	3.0	5.4	16.5	.....	4.4	.....	6.7	1.1	.....	1.2	.....
Brazil	91.6	272.1	75.4	444.1	8.6	79.6	12.6	157.3	82.8	129.5	62.5	192.6	0.2	63.0	0.3 <sup>2</sup>	94.2 <sup>2</sup>
Chile	29.2	82.6	43.0	137.2	14.0	8.8	21.6	17.0	7.2	3.8	5.1	26.5	8.0	70.0	16.3	93.7
Colombia	20.5	22.5	21.9	14.2	3.3	1.4	1.1	12.6	17.2	20.5	20.8	0.6	.....	0.6	Negl.	1.0
Costa Rica	1.3	5.4	3.2	7.7	Negl.	3.4	0.3	6.9	1.3	1.9	2.7	0.7	.....	0.1	0.2	0.1 <sup>2</sup>
Dominican Republic	0.2	3.4	0.3	21.1	.....	3.4	.....	21.1	0.2 <sup>2</sup>	.....	0.3 <sup>2</sup>	.....	.....	.....	0.3	.....
Ecuador	5.4	13.7	6.2	14.3	0.1	2.8	0.3	0.9	5.0	10.9	5.6 <sup>2</sup>	13.4 <sup>2</sup>	0.3	.....	Negl.	.....
El Salvador	0.1	5.2	0.1	7.4	.....	3.4	.....	5.0	0.1	1.8	0.1	2.4	.....	.....	1.0	1.1
Guyana	0.4	.....	1.0	10.4	0.4	.....	.....	9.3	.....	.....	.....	.....	.....	.....	0.4	2.6
Guatemala	0.4	0.2	1.6	8.6	N.R.	N.R.	.....	5.8	0.4	0.2 <sup>2</sup>	1.2	0.2	.....	.....	0.2 <sup>2</sup>	.....
Haiti	1.9	.....	1.8	.....	N.R.	N.R.	N.R.	N.R.	1.6	.....	1.6 <sup>2</sup>	.....	0.3	.....	.....	.....
Jamaica	0.2	1.3	1.1	5.4	.....	1.2	.....	5.3	.....	0.8	Negl.	0.2	0.1	0.3	0.1	.....
Mexico	7.6	11.1	23.3	31.3	0.7	9.4	0.7	0.1	6.9	1.7	8.5	7.2	.....	14.1	24.0	.....
Nicaragua	0.4	1.7	0													

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<p>Chairman of the USSR Council of Ministers Kosygin signed agreements with Libya and Tunisia during visits to the two countries in May.</p>	
<b>USSR and Morocco Resume Discussions on Phosphate Agreement . . . . .</b>	<b>2</b>
<p>Soviet and Moroccan officials resumed discussions on a draft agreement calling for Soviet assistance for exploitation of phosphate deposits at Miskalas in return for long-term phosphate rock deliveries from Morocco.</p>	
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<p>Romania became the Philippines first Communist aid donor with a pledge of \$31 million in credits for a thermal powerplant.</p>	
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<b>Peru Signs \$95 Million in Contracts with Hungary . . . . .</b>	<b>3</b>
<p>Peru signed contracts in May to deliver \$75 million in Peruvian commodities to Hungary over the next five years and to purchase \$20 million in Hungarian equipment under credit.</p>	

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**Near East and South Asia**

<b>Bangladesh Signs First Trade Contracts with China . . . . .</b>	<b>4</b>
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Bangladesh and China established their first formal trade links with the conclusion of four contracts in May.

<b>Egypt and USSR Sign Economic Agreements . . . . .</b>	<b>4</b>
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Egypt and the USSR signed contracts to go ahead with construction of a cement plant, expansion of an aluminum plant at Naja Hamadi, and other projects.

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COMMUNIST AID AND TRADE ACTIVITIES  
IN LESS DEVELOPED COUNTRIES  
MAY 1975

Africa

Soviet Chairman Kosygin Visits North Africa

Chairman of the USSR Council of Ministers Kosygin visited Libya and Tunisia during May for wide-ranging talks on economic and political matters. Kosygin probably negotiated a new military agreement with Libya in the

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(Confidential)

As a result of discussions in Libya, the two sides signed an economic and technical assistance agreement, whose provisions will be further elaborated during the annual meeting of the Soviet-Libyan joint economic commission in June. Libya has requested Soviet assistance for an iron and steel plant and a nuclear powerplant, but it is unlikely that agreement on these projects was reached. There was no public reference to discussions of Libyan oil sales to the USSR. On the military side, Moscow has denied Egyptian press allegations that a multibillion dollar military agreement was signed during the visit, but the USSR probably signed a military supply agreement

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Libyan Chairman Qadhafi accepted the Soviet leader's invitation to visit the USSR, presumably in the near future. (Confidential)

In Tunis the Soviet delegation studied Tunisian requests for Soviet assistance to Tunisia's new five-year plan. The USSR announced agreement in principle to construct two dams under some \$18 million of previous Soviet credits and offered to expand Tunisia's fishing industry. (Confidential)

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USSR and Morocco Resume Discussions on Phosphate Agreement

Soviet and Moroccan officials resumed talks in Rabat on Soviet development and exploitation of the Miskalas phosphate deposits. The draft agreement calls for Soviet financing and construction of a phosphate mine at Miskalas, construction of a 20-mile railroad to the port of Essouira, and installation of phosphate handling facilities at the port. Under the proposal, the USSR would buy 3-5 million metric tons of phosphate rock a year in 1980-90 and 10 million tons annually for a subsequent 15-20 years. Negotiations which have gone on for more than a year foundered because Morocco refuses to permit the USSR to reexport Moroccan phosphates or to use them to raise exports of Russian-produced phosphates. Morocco also wants a shorter term contract. Recent softening in demand for Moroccan phosphates may strengthen the Soviet bargaining position. (Confidential)

East Asia

Indonesia Proposes Projects for Communist Financing

The Indonesian National Planning Board has compiled a list of projects suitable for Soviet and East European financing valued at \$825 million. The proposals concentrate on development of ports, inland waterways, inter-island transport, and Indonesia's oceangoing fleet. Construction activity and ship procurement carry a total price tag of more than \$500 million. An additional \$95 million is for power development and \$35 million for the rehabilitation of railroad and motor transport facilities. The remaining projects are scattered over agricultural processing and manufacturing industries. (Secret)

During a tour of the USSR and Eastern Europe last fall, Indonesian Foreign Minister Malik received assurances that Indonesian aid requests would receive favorable consideration. The USSR signed a new economic and technical assistance agreement in December. The magnitude of credits will be set after Soviet review of Indonesian project suggestions. (Secret)



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Indonesia's interest in following up on aid requests to Communist countries may have cooled since Western countries pledged over \$900 million in new aid at their annual consortium meeting in May. This level was higher than pledges in 1974. Jakarta's initiatives in seeking aid from Communist countries last year were prompted by fears of a sharp decline in Western aid attendant on Indonesia's increased oil earnings. (Secret)

#### Philippines Receives First Communist Credits

During a state visit to the Philippines in April, Romanian President Ceausescu signed an agreement to provide \$31 million for construction of a thermal powerplant on Cebu. The terms of the credit agreement, Manila's first with a Communist country, were not announced. Romania also agreed to buy \$65 million worth of nickel over the next six years. For its part, the Philippines signed contracts to purchase offshore oil drilling equipment, valued at \$3.6 million, and 500 Romanian tractors. (Confidential)

#### Latin America

##### Peru Signs \$95 Million in Contracts with Hungary

During May, Peru signed a \$20 million contract with Hungary for expanding the Canon del Pato hydroelectric plant as the final allocation under a \$38 million credit extended in 1972. Lima previously has drawn on the credit to finance purchases of power generating and distributing equipment and educational materials. Long-term trade contracts signed at the same time are valued at about \$75 million. Among other items, Peru will export 40,000 tons of fishmeal annually (1976-78), worth \$30 million at current prices, as well as an estimated \$36 million of copper and other metals during 1975-80. Hungary is Peru's major East European trading partner. In 1974, trade between the two countries totaled \$19 million, of which only \$5.5 million represented Peruvian exports. (Unclassified)

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## Near East and South Asia

### Bangladesh Signs First Trade Contracts with China

The Dacca press reported in May that Bangladesh established its first formal direct trade links with China during the visit of a four-man delegation to the Canton Trade Fair. Four contracts reportedly were signed, but the goods to be traded were not announced. The agreements were hailed as a prelude to the establishment of diplomatic relations. (Unclassified)

Bangladesh has been seeking new markets for its jute products and views China as a potentially important source of cheap consumer goods imports. In addition, Dacca probably hopes that China might agree to persuade Pakistan to adopt more favorable policies on the division of assets and repatriation of Bangladesh nationals, questions outstanding since Bangladesh achieved independence in 1971. Pakistan is the largest recipient of Chinese economic and military aid in the Third World. (Unclassified)

### Egypt and USSR Sign Economic Agreements

Egypt and the USSR concluded a number of economic agreements during May which should heighten activity at existing Soviet project sites in Egypt. The USSR signed final contracts valued at \$105 million to go ahead with a 600,000-ton cement plant at Asyut, to increase the capacity of the Soviet-assisted Naja Hamadi aluminum complex to 166,000 tons annually, and to expand a machinery plant. The USSR will take 35% of Egypt's aluminum output. The two sides also discussed third-stage expansion at the Helwan iron and steel complex, an undertaking that will require new credits. Second-stage activity now in progress will raise steel capacity to 1.5 million tons a year by 1976. (For Official Use Only)

The two countries also signed protocols on electrification projects valued at \$15.6 million. Projects include installation of transformers in upper Egypt, renovation of the Suez power station, and improvements to the Aswan power station. (For Official Use Only)

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## OTHER ACTIVITIES

### Economic

#### Africa

Angola. The Secretary General of the Front for the National Liberation of Angola (FNLA) intends to travel to Peking in the near future to request increased Chinese military and financial assistance to his movement. China currently is providing military instructors for the FNLA army. (Secret)

Gabon. Gabon signed an agreement on economic and technical cooperation with Romania in May, Gabon's first such pact with a Communist country. A trade agreement was signed at the same time. The two sides agreed to set up a joint committee to identify areas suitable for Romanian assistance. Projects mentioned include a petroleum refinery and petrochemical complex, agricultural development, and medical centers. (Unclassified)

Ghana. China and Ghana signed a protocol to their 1972 trade agreement calling for a trade turnover of \$21 million during the next year. Ghana will export timber, minerals, cocoa, and other agricultural products in return for agricultural machinery, ferrous metals, and textiles. (Unclassified)

Mozambique. Frelimo leader Machel reportedly departed for a week's stay in the USSR in mid-May. The USSR has offered economic and military support to Mozambique following independence on 25 June. (Confidential)

Somalia. A high-level Somali agricultural official departed for Peking at the invitation of Chinese officials to discuss assistance to animal husbandry, the development of water resources, and aid to the forestry industry. China has been providing agricultural assistance to Somalia for more than 10 years under an \$18 million credit agreement. (Unclassified)

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### East Asia

Indonesia. The Indonesian government has approved the direct sale of up to 10,000 metric tons of rubber to Bulgaria, with delivery to begin within three months. The transaction could be worth up to \$5.3 million. (Unclassified)

Philippines. Hungary and the Philippines began formal negotiations on their first trade agreement on 19 May. (Unclassified)

### Latin America

Brazil. Brazil is studying a Polish proposal to purchase ships of 20,000 to 50,000 tons from Brazil and to sell ships of up to 200,000 tons to Brazil. Earlier this year, the two countries signed a \$1 billion agreement for the exchange of Polish coal for Brazilian iron ore. (Unclassified)

Ecuador. Construction is scheduled to start in June on a joint astronomy research station to be manned by Soviet and Ecuadorean scientists. (Unclassified)

Mexico. During May, China agreed to buy 1,000 tons of Mexican coffee valued at \$1 million. Trade between the two countries has been active since the conclusion of their first trade agreement two years ago, and in 1973 exchanges approached \$40 million. (Unclassified)

Mexican officials have responded coolly to an East German offer of \$10 million in credits for the purchase of communications equipment. The offer reportedly involved discounts of up to 30% on the German equipment, which could be paid for under a barter agreement. (For Official Use Only)

The USSR and Mexico signed a technical protocol on 20 May calling for cooperation in machine building, energy, agriculture, geology, and other fields. A joint committee will oversee technical exchanges under the agreement. (For Official Use Only)

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Trinidad and Tobago. Peking agreed to purchase sugar, cocoa, and coffee and to consider purchases of other traditional products during the visit of a trade mission from Trinidad in May. It is not known whether the two sides considered a recent Chinese proposal to exchange oil industry technicians. (Unclassified)

Near East and South Asia

Bangladesh. Bangladesh and East Germany concluded their annual barter trade protocol on 30 April calling for the exchange of \$5 million of East German medical and pharmaceutical goods, fertilizers, and typewriters for jute goods and other products. (Unclassified)

Cyprus. Bulgaria signed an agreement to employ Cypriot personnel on construction projects in Bulgaria. The number of workers involved was not disclosed. (Unclassified)

The USSR will supply equipment for sulfuric and phosphoric acid plants in Cyprus under the provisions of a trade contract to be signed in the near future. The USSR already has delivered port equipment and a cement plant to Cyprus, probably under an agreement signed earlier this year. (Unclassified)

Egypt. The Romanian-Egyptian trade protocol for 1975, signed in mid-May, calls for a total turnover of \$156 million, a slight increase over 1974. (Unclassified)

India. The USSR has allocated \$7 million for the preparation of engineering studies for development of coal fields at Singravli and Raniganj. (Unclassified)

A Soviet delegation led by the Deputy Foreign Trade Minister arrived in India to continue negotiations on a new long-term trade agreement for 1976-80. The two sides have announced plans to double the present level of exchanges by 1980. In 1974, Soviet-Indian trade totaled \$812 million. (Unclassified)

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Iran. Czechoslovakia and Iran signed a protocol to double trade in 1975 to \$80 million. (Unclassified)

Iraq. The PRC will purchase 50,000 tons of sulfur from Iraq under a contract signed on 28 May. Deliveries will be completed in six months. (Unclassified)

The joint Romanian-Iraqi economic commission signed trade and economic agreements during a session held in Bucharest early in May. Romania agreed to provide assistance to agriculture and the petroleum industry. Romania extended \$35 million in credits to Iraq for oil development in 1971. Little activity has taken place under this agreement. (Unclassified)

South Yemen. China signed a formal agreement in May to build a 140-mile road, probably with funds from a 1972 agreement. (Unclassified)

Turkey. The USSR and Turkey concluded an agreement to expand the capacity of the Soviet-financed Iskenderun steel mill from 1 to 2 million tons of steel. In 1972 the USSR extended \$158 million for second stage expansion at the plant, bringing total commitments to the project to \$421 million. (Unclassified)

Turkey's National Assembly has endorsed an agreement with the USSR for joint construction of a dam on the Arpa Cayi River. Turkey's contribution to the project, which will irrigate 40,000 acres on the Igdir plain, totals \$2 million. (Unclassified)

United Arab Emirates. A Romanian delegation to Abu Dhabi outlined proposals to purchase crude oil in exchange for Romanian equipment and expertise for the petroleum industry. (Unclassified)

Secret

Secret

Military

Africa

25X1B

25X1B

25X1B

Congo. The PRC delivered [REDACTED] small patrol boats and [REDACTED] helicopters to Pointe Noire in March. [REDACTED] patrol boat is scheduled for delivery some time before midyear. These deliveries are part of a [REDACTED] military aid program which has been under way since late 1964. (Secret)

25X1B

Somalia. In early May a 16-member Somalian military delegation left for a 10-day visit to the USSR. The delegation was expected to hold talks on bilateral military relations with the Soviet government. (Unclassified)

25X1B

Zaire. North Korea has made its first delivery of artillery to Zaire. In late March, [REDACTED] North Korean artillery pieces were observed being unloaded from a ship in Matadi. A North Korean-Zaire arms accord covering this delivery was concluded last year when military delegations were exchanged. Additional deliveries will probably include the range of weapons common to a North Korean infantry division -- machineguns, antitank missile launchers, recoilless guns, mortars, and artillery. (Confidential)

Near East and South Asia

25X1B

25X1B

Afghanistan. [REDACTED] Kraz-255 prime movers were shipped from the USSR to Afghanistan in late March and an additional [REDACTED] were delivered in early April. These are the first known military deliveries since November 1974, when deliveries stopped because of the winter weather. Tanks are expected to be delivered soon; tank transporters were recently observed at a Soviet-Afghan transshipment point. (Confidential)

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COMMUNIST AID AND TRADE ACTIVITIES  
IN LESS DEVELOPED COUNTRIES,  
MAY 1975

ANNEX

COMMUNIST-LDC TRADE CONTINUES TO RISE IN 1973

Summary

1. Communist-LDC trade made unprecedented gains in 1973, overshadowing the record performance of the previous year. Price inflation and changes in the values of currencies, however, contributed substantially to the increase.

2. The dollar value of Communist-LDC trade turnover rose by almost 50%, to more than \$13 billion, compared with a growth in total world trade during the same period of about 40%. Still, LDC trade accounted for less than 15% of total Communist trade, and for the LDCs this trade was only 5% of their total turnover.

3. All Communist countries participated in the increase, but the rise in Chinese trade was proportionately greater than for others. The jump in trade with the LDCs reflected Peking's more vigorous initiatives to expand its markets and its need to augment raw material supplies to support its expanding industrial effort. China continued to show a surplus of more than \$200 million in its LDC trade, in spite of a large deficit with Latin American partners.

4. The overall Communist surplus in trade with the LDCs rose by \$900 million in 1973, to almost \$2.4 billion. Although much of the surplus cannot be distributed among LDC trading partners, the undistributed element

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almost certainly includes Soviet military exports\* as well as East European exports under military contracts and economic aid agreements.

### Discussion

#### Rising Prices Have Major Impact

5. Far higher prices for the food, metals, minerals, and other primary products that constitute the bulk of Communist purchases from LDCs contributed heavily to the overall increase in Communist-LDC trade. In 1973, for example, the USSR paid 30% more for rubber and 40% more for sugar, and the price for raw wool more than doubled. The world market price of other major Communist imports, such as Latin American copper, grain, and fishmeal, rose 60%-90% in 1973 compared with 1972. Throughout the year, prices for primary products rose faster than those for manufactures. The increase in prices of Soviet exports, dominated by machinery and equipment deliveries, reportedly increased by about 10% in 1973.

6. As world demand and prices rose for primary products in 1973 some LDCs began to take a hard look at the profitability of their long-term barter arrangements with Communist countries. LDC producers became less willing to accept Communist machinery and equipment for hard currency earning exports. By 1974, several LDC exporters of petroleum, phosphates, metals, and agricultural raw materials had renegotiated some of their agreements with Communist countries to require payments in hard currency. Notable among these were Iran, Iraq, Syria, Ghana, Morocco, Nigeria, Sudan, and Tunisia. This phenomenon was less evident among sub-Saharan African countries than elsewhere. A large proportion of their imports from the USSR and China, are shipped under aid agreements. Communist countries often take less desirable commodities that do not find a ready market

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\* For a more detailed discussion of Soviet-LDC trade see ER IR 74-29, Record Soviet-LDC Trade in 1973, November 1974, Confidential.

A-2  
Secret

Secret

elsewhere. Communist countries probably do not press for annual settlements on barter account if African partners are facing severe payment difficulties.

#### Direction of Trade

7. Although Latin American countries emerged as major raw materials suppliers during 1973, they did not challenge the dominance of Near Eastern and South Asian countries in Communist trade (see the table).

8. The importance of the Near East and South Asian area was bolstered by a doubling in the value of Communist fuel imports to more than \$600 million. This increase reflected expanded volume, as well as price increases. Moscow almost tripled the volume of its crude imports from Iraq, but the price rose only 20%. Iraq, Iran, and Afghanistan were the source of most of the \$400 million of Soviet fuel purchased from the Third World. The volume of Eastern Europe's direct purchases of crude oil from LDC producers rose almost 80% in 1973.

9. Latin America's increased importance as a raw materials supplier reflected a rising demand in Communist economies for basic commodities to satisfy agricultural shortfalls and to expand industrial production. Latin America accounted for the largest relative gain -- more than 60% -- in Communist-LDC trade turnover. Most of the increase came from a near-doubling in the value of Communist imports of food, hides, and minerals. The hefty Communist deficit in Latin American trade, experienced by all Communist trading partners, doubled in 1973 to over \$800 million.

10. In an attempt to stem the rapid deterioration in their trade positions, all Communist countries intensified their sales campaigns in Latin America. These were accompanied in 1974 by liberal Soviet and East European offers of credits for sales of machinery and equipment. The USSR was negotiating several large contracts for sales of power equipment to

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~~Secret~~

Argentina and agreed to sell \$160 million of petroleum products to Brazil. However, most Communist trade activity was still on the buying side, with additional new contracts in 1974 for sugar and other products from Brazil; meat, grain, and hides from Argentina; and minerals and metals from Chile and Peru.

#### Commodity Composition

11. Communist countries remain primarily a market for LDC raw materials and agricultural products in spite of LDC attempts to increase their sales of manufactured goods. For the USSR, raw materials and foodstuffs still represented 55% of its total imports from the LDCs in 1973. Although the share of manufactures has doubled since 1960, it accounted for only 15% of total Soviet imports from the Third World. The most significant change in the composition of Soviet-LDC trade is the large increase of fuel as a share of total Soviet imports. It accounted for 17% of total Soviet imports from LDCs in 1973, compared with 12% in 1972 and only 7% in 1971.

12. Machinery and equipment dominate Soviet exports to the Third World, having accounted for 50%-55% of Soviet exports to LDCs for more than a decade. These sales have been maintained to some extent by credits provided under the Soviet aid program. The ruble value of Soviet crude oil sales to Third World customers dropped 15% in 1973, to only 6% of total exports. Manufactured goods and other crude materials, however, maintained their usual shares for most recent years of about 10% each.

13. The composition of East European trade is believed to follow the Soviet pattern with a somewhat heavier weight to crude materials and fuels in the import totals

14. Almost all of China's imports from LDCs were raw materials and food. Developing countries provided 45% of China's crude materials imports in 1973, including all of China's rubber, half of its cotton, and 45% of its nonferrous metals imports.

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15. Light manufactures accounted for one-half of the PRC's exports to LDCs while food made up most of the remainder. Among Peking's world exports in 1973, 80% of its grain (mostly rice) exports, 70% of its iron and steel exports, and 30% of its textiles went to the Third World. (Confidential)

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**CONTENTS AND SUMMARY OF EVENTS**  
**(May 1975)**

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**Africa**

<b>Soviet Chairman Kosygin Visits North Africa . . . . .</b>	<b>1</b>
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Chairman of the USSR Council of Ministers Kosygin signed agreements with Libya and Tunisia during visits to the two countries in May.

<b>USSR and Morocco Resume Discussions on Phosphate Agreement . . . . .</b>	<b>2</b>
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Soviet and Moroccan officials resumed discussions on a draft agreement calling for Soviet assistance for exploitation of phosphate deposits at Miskalas in return for long-term phosphate rock deliveries from Morocco.

**East Asia**

<b>Philippines Receives First Communist Credits . . . . .</b>	<b>2</b>
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Romania became the Philippines first Communist aid donor with a pledge of \$31 million in credits for a thermal powerplant.

**Latin America**

<b>Peru Signs \$95 Million in Contracts with Hungary . . . . .</b>	<b>3</b>
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Peru signed contracts in May to deliver \$75 million in Peruvian commodities to Hungary over the next five years and to purchase \$20 million in Hungarian equipment under credit.

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**Near East and South Asia**

**Bangladesh Signs First Trade Contracts with China . . . . . 3**

Bangladesh and China established their first formal trade links with the conclusion of four contracts in May.

**Egypt and USSR Sign Economic Agreements . . . . . 4**

Egypt and the USSR signed contracts to go ahead with construction of a cement plant, expansion of an aluminum plant at Naja Hamadi, and other projects.

**Other Activities**

**Economic . . . . . 4**

**Military . . . . . 8**

**Annex**

**Communist-LDC Trade Continues To Rise in 1973 . . . . . A-1**

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COMMUNIST AID AND TRADE ACTIVITIES  
IN LESS DEVELOPED COUNTRIES  
MAY 1975

Africa

Soviet Chairman Kosygin Visits North Africa

25X1B Chairman of the USSR Council of Ministers Kosygin visited Libya and Tunisia during May for wide-ranging talks on economic and political matters. Kosygin probably negotiated a new military agreement with Libya in the [REDACTED] (Confidential)

As a result of discussions in Libya, the two sides signed an economic and technical assistance agreement, whose provisions will be further elaborated during the annual meeting of the Soviet-Libyan joint economic commission in June. Libya has requested Soviet assistance for an iron and steel plant and a nuclear powerplant, but it is unlikely that agreement on these projects was reached. There was no public reference to discussions of Libyan oil sales to the USSR. On the military side, Moscow has denied Egyptian press allegations that a multibillion dollar military agreement was signed during the visit, but the USSR probably signed a military supply agreement [REDACTED]

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25X1B [REDACTED] Libyan Chairman Qadhafi accepted the Soviet leader's invitation to visit the USSR, presumably in the near future. (Confidential)

In Tunis the Soviet delegation studied Tunisian requests for Soviet assistance to Tunisia's new five-year plan. The USSR announced agreement in principle to construct two dams under some \$18 million of previous Soviet credits and offered to expand Tunisia's fishing industry. (Confidential)

USSR and Morocco Resume Discussions on Phosphate Agreement

Soviet and Moroccan officials resumed talks in Rabat on Soviet development and exploitation of the Miskalas phosphate deposits. The draft agreement calls for Soviet financing and construction of a phosphate mine at Miskalas, construction of a 20-mile railroad to the port of Essouira, and installation of phosphate handling facilities at the port. Under the proposal, the USSR would buy 3-5 million metric tons of phosphate rock a year in 1980-90 and 10 million tons annually for a subsequent 15-20 years. Negotiations which have gone on for more than a year foundered because Morocco refuses to permit the USSR to reexport Moroccan phosphates or to use them to raise exports of Russian-produced phosphates. Morocco also wants a shorter term contract. Recent softening in demand for Moroccan phosphates may strengthen the Soviet bargaining position. (Confidential)

East Asia

Philippines Receives First Communist Credits

During a state visit to the Philippines in April, Romanian President Ceausescu signed an agreement to provide \$31 million for construction of a thermal powerplant on Cebu. The terms of the credit agreement, Manila's first with a Communist country, were not announced. Romania also agreed to buy \$65 million worth of nickel over the next six years. For its part, the Philippines signed contracts to purchase offshore oil drilling equipment, valued at \$3.6 million, and 500 Romanian tractors. (Confidential)



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## Latin America

### Peru Signs \$95 Million in Contracts with Hungary

During May, Peru signed a \$20 million contract with Hungary for expanding the Canon del Pato hydroelectric plant as the final allocation under a \$38 million credit extended in 1972. Lima previously has drawn on the credit to finance purchases of power generating and distributing equipment and educational materials. Long-term trade contracts signed at the same time are valued at about \$75 million. Among other items, Peru will export 40,000 tons of fishmeal annually (1976-78), worth \$30 million at current prices, as well as an estimated \$36 million of copper and other metals during 1975-80. Hungary is Peru's major East European trading partner. In 1974, trade between the two countries totaled \$19 million, of which only \$5.5 million represented Peruvian exports. (Unclassified)

## Near East and South Asia

### Bangladesh Signs First Trade Contracts with China

The Dacca press reported in May that Bangladesh established its first formal direct trade links with China during the visit of a four-man delegation to the Canton Trade Fair. Four contracts reportedly were signed, but the goods to be traded were not announced. The agreements were hailed as a prelude to the establishment of diplomatic relations. (Unclassified)

Bangladesh has been seeking new markets for its jute products and views China as a potentially important source of cheap consumer goods imports. In addition, Dacca probably hopes that China might agree to persuade Pakistan to adopt more favorable policies on the division of assets and repatriation of Bangladesh nationals, questions outstanding since Bangladesh achieved independence in 1971. Pakistan is the largest recipient of Chinese economic and military aid in the Third World. (Unclassified)

Confidential

### Egypt and USSR Sign Economic Agreements

Egypt and the USSR concluded a number of economic agreements during May which should heighten activity at existing Soviet project sites in Egypt. The USSR signed final contracts valued at \$105 million to go ahead with a 600,000-ton cement plant at Asyut, to increase the capacity of the Soviet-assisted Naja Hamadi aluminum complex to 166,000 tons annually, and to expand a machinery plant. The USSR will take 35% of Egypt's aluminum output. The two sides also discussed third-stage expansion at the Helwan iron and steel complex, an undertaking that will require new credits. Second-stage activity now in progress will raise steel capacity to 1.5 million tons a year by 1976. (For Official Use Only)

The two countries also signed protocols on electrification projects valued at \$15.6 million. Projects include installation of transformers in upper Egypt, renovation of the Suez power station, and improvements to the Aswan power station. (For Official Use Only)

### OTHER ACTIVITIES

#### Economic

#### Africa

Gabon. Gabon signed an agreement on economic and technical cooperation with Romania in May, Gabon's first such pact with a Communist country. A trade agreement was signed at the same time. The two sides agreed to set up a joint committee to identify areas suitable for Romanian assistance. Projects mentioned include a petroleum refinery and petrochemical complex, agricultural development, and medical centers. (Unclassified)

Confidential

Ghana. China and Ghana signed a protocol to their 1972 trade agreement calling for a trade turnover of \$21 million during the next year. Ghana will export timber, minerals, cocoa, and other agricultural products in return for agricultural machinery, ferrous metals, and textiles. (Unclassified)

Mozambique. Frelimo leader Machel reportedly departed for a week's stay in the USSR in mid-May. The USSR has offered economic and military support to Mozambique following independence on 25 June. (Confidential)

Somalia. A high-level Somali agricultural official departed for Peking at the invitation of Chinese officials to discuss assistance to animal husbandry, the development of water resources, and aid to the forestry industry. China has been providing agricultural assistance to Somalia for more than 10 years under an \$18 million credit agreement. (Unclassified)

#### East Asia

Indonesia. The Indonesian government has approved the direct sale of up to 10,000 metric tons of rubber to Bulgaria, with delivery to begin within three months. The transaction could be worth up to \$5.3 million. (Unclassified)

Philippines. Hungary and the Philippines began formal negotiations on their first trade agreement on 19 May. (Unclassified)

#### Latin America

Brazil. Brazil is studying a Polish proposal to purchase ships of 20,000 to 50,000 tons from Brazil and to sell ships of up to 200,000 tons to Brazil. Earlier this year, the two countries signed a \$1 billion agreement for the exchange of Polish coal for Brazilian iron ore. (Unclassified)

Confidential

Confidential

Ecuador. Construction is scheduled to start in June on a joint astronomy research station to be manned by Soviet and Ecuadorean scientists. (Unclassified)

Mexico. During May, China agreed to buy 1,000 tons of Mexican coffee valued at \$1 million. Trade between the two countries has been active since the conclusion of their first trade agreement two years ago, and in 1973 exchanges approached \$40 million. (Unclassified)

Mexican officials have responded coolly to an East German offer of \$10 million in credits for the purchase of communications equipment. The offer reportedly involved discounts of up to 30% on the German equipment, which could be paid for under a barter agreement. (For Official Use Only)

The USSR and Mexico signed a technical protocol on 20 May calling for cooperation in machine building, energy, agriculture, geology, and other fields. A joint committee will oversee technical exchanges under the agreement. (For Official Use Only)

Trinidad and Tobago. Peking agreed to purchase sugar, cocoa, and coffee and to consider purchases of other traditional products during the visit of a trade mission from Trinidad in May. It is not known whether the two sides considered a recent Chinese proposal to exchange oil industry technicians. (Unclassified)

#### Near East and South Asia

Bangladesh. Bangladesh and East Germany concluded their annual barter trade protocol on 30 April calling for the exchange of \$5 million of East German medical and pharmaceutical goods, fertilizers, and typewriters for jute goods and other products. (Unclassified)

Cyprus. Bulgaria signed an agreement to employ Cypriot personnel on construction projects in Bulgaria. The number of workers involved was not disclosed. (Unclassified)

Confidential

Confidential

The USSR will supply equipment for sulfuric and phosphoric acid plants in Cyprus under the provisions of a trade contract to be signed in the near future. The USSR already has delivered port equipment and a cement plant to Cyprus, probably under an agreement signed earlier this year. (Unclassified)

Egypt. The Romanian-Egyptian trade protocol for 1975, signed in mid-May, calls for a total turnover of \$156 million, a slight increase over 1974. (Unclassified)

India. The USSR has allocated \$7 million for the preparation of engineering studies for development of coal fields at Singravli and Raniganj. (Unclassified)

A Soviet delegation led by the Deputy Foreign Trade Minister arrived in India to continue negotiations on a new long-term trade agreement for 1976-80. The two sides have announced plans to double the present level of exchanges by 1980. In 1974, Soviet-Indian trade totaled \$812 million. (Unclassified)

Iran. Czechoslovakia and Iran signed a protocol to double trade in 1975 to \$80 million. (Unclassified)

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ANNEX

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Confidential

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### Discussion

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5. Far higher prices for the food, metals, minerals, and other primary products that constitute the bulk of Communist purchases from LDCs contributed heavily to the overall increase in Communist-LDC trade. In 1973, for example, the USSR paid 30% more for rubber and 40% more for sugar, and the price for raw wool more than doubled. The world market price of other major Communist imports, such as Latin American copper, grain, and fishmeal, rose 60%-90% in 1973 compared with 1972. Throughout the year, prices for primary products rose faster than those for manufactures. The increase in prices of Soviet exports, dominated by machinery and equipment deliveries, reportedly increased by about 10% in 1973.

6. As world demand and prices rose for primary products in 1973 some LDCs began to take a hard look at the profitability of their long-term barter arrangements with Communist countries. LDC producers became less willing to accept Communist machinery and equipment for hard currency earning exports. By 1974, several LDC exporters of petroleum, phosphates, metals, and agricultural raw materials had renegotiated some of their agreements with Communist countries to require payments in hard currency. Notable among these were Iran, Iraq, Syria, Ghana, Morocco, Nigeria, Sudan, and Tunisia. This phenomenon was less evident among sub-Saharan African countries than elsewhere. A large proportion of their imports from the USSR and China, are shipped under aid agreements. Communist countries often take less desirable commodities that do not find a ready market

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A-2  
Confidential

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15. Light manufactures accounted for one-half of the PRC's exports to LDCs while food made up most of the remainder. Among Peking's world exports in 1973, 80% of its grain (mostly rice) exports, 70% of its iron and steel exports, and 30% of its textiles went to the Third World. (Confidential)

Confidential

Approved For Release 2000/05/15 : CIA-RDP79T01098A000500110001-9

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NO FOREIGN DISSEM

RRP 75.20

Communist Aid and Trade Activities  
in less developed countries, May 1975

Project No: 35.6931

June 5, 1975

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Analyst:

OER/D/TA  
Ext. 5291

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NO FOREIGN DISSEM

NOTE: HIGHLIGHTS

Significant Soviet activity in the Third World in May focused on North Africa. During a visit to Libya Soviet Chairman Kosygin apparently signed a military agreement 25X1B  
[REDACTED] Kosygin flew on to Tunisia, where he signed an agreement in principle to construct two dams, a Soviet specialty in the area. Soviet officials arrived in Morocco to resume negotiations on a deal to develop phosphate deposits in return for a long-term Moroccan contract to supply phosphate rock. China signed its first direct trade contracts with Bangladesh and was negotiating its first long-term iron ore purchase agreement with an LDC. The Philippines received its first Communist aid, from Romania, while Bucharest was the beneficiary of a bond issue sponsored by Kuwait on behalf of the Romanian Foreign Trade Bank.

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SUMMARY AND TABLE OF CONTENTS of Events  
May 1975  
GENERAL

ER IR 75-16, ←

Summary of the Annual Report on Communist Aid to Less Developed Countries of the Free World, 1974

AFRICA

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Soviet MIG-23 Deliveries to Libya

The USSR delivered the first MIG-23 to Libya during May under an arms agreement concluded last year.

USSR and Morocco Resume Discussions on Phosphate Agreement

Soviet and Moroccan officials resumed discussions on a draft agreement calling for Soviet <sup>ASSISTANCE FOR</sup> exploitation of phosphate deposits at Miskal<sup>gas</sup> in return for long-term phosphate rock deliveries from Morocco.

EAST ASIA

Indonesia Proposes Projects for Communist Financing

The Indonesian National Planning Board has compiled a list of ~~proposed~~ <sup>PROPOSALS</sup> projects valued at \$825 million for Soviet and East European financing

Philippines Receives First Communist Credits

Romania became the Philippines first Communist aid donor with a pledge of \$31 million in credits for a thermal powerplant.



LATIN AMERICA

Brazil and China Negotiate Iron Ore Contract

During May, China was negotiating a long-term iron ore purchase contract with Brazil, its first ~~such~~<sup>MAJOR</sup> deal with an LDC iron ore producer.

Peru Sign<sup>S</sup> \$95<sup>M</sup> Million in Contracts with Hungary

Peru signed contracts in May to deliver \$75 million in Peruvian commodities to Hungary over the next five years<sup>7</sup> and to purchase \$20 million in Hungarian equipment under credit.

NEAR EAST AND SOUTH ASIA

Bangladesh Signs First Trade Contracts with China

Bangladesh and China established their first formal trade links with the conclusion of four contracts in May.

Egypt and USSR Sign Economic Agreements

Egypt and the USSR signed contracts to go ahead with construction of a cement plant, expansion of<sup>AN</sup> aluminum plants at Naja Hammadi, and other projects.

Romania Negotiates Kuwaiti Financing

During May, Romania's Oil Minister visited Kuwait to discuss the joint establishment a billion dollar petrochemical complex in Romania to use Kuwaiti oil. In addition, Kuwait sponsored a second bond issue, valued at \$40 million, on behalf of the Romanian Trade Bank.

*Other Activities*

*Economic  
Activities*

Secret  
No Foreign Dissem

COMMUNIST AID AND TRADE ACTIVITIES  
IN LESS DEVELOPED COUNTRIES  
May 1975

*General* → Summary of the Annual Report on  
Communist Aid to Less Developed  
Countries of the Free World,  
1974

New Communist military and economic aid to the less developed countries (LDCs) of the Free World dropped to US \$2.7 billion in 1974, its lowest level in three years. In spite of the reduced program, there was no apparent change in Communist aid policy. Programs under way continued at roughly the same pace as in most recent years, and the number of Communist military and economic personnel stationed in LDCs increased.

Most of the decline in 1974 was in military aid, which dropped sharply from the abnormally high crisis levels of 1973. Military aid, always more politically oriented than economic aid, although 30% smaller in 1974, demonstrated again the extent of the Soviet and East European commitment to the Middle East. For Iraq it was a record year; for Syria, second only to 1973. Reflecting the strains in Soviet-Egyptian political relations, Egypt received no new military aid, while aid to Iraq and Syria accounted for more than 60% of the USSR's and Eastern Europe's \$1.2 billion of new assistance. Iraq and Syria also had the largest contingents of Communist military advisers. Most significantly, Moscow's new deliveries of equipment to Iraq and Syria surpassed in sophistication the equipment furnished to any other LDC. The supersonic MIG-23 jet fighters, shipped to Iraq and Syria have not even been provided to Warsaw Pact countries. Also reflecting political overtones, Iran was the only other country to receive a large new military commitment in 1974 -- ground forces equipment, military support, and engineering equipment.

Moscow and Eastern Europe continued to use economic aid to protect their commercial and long-term economic interests. Again, in 1974, the formation of joint industrial and commercial ventures with LDCs increased, and joint committees for economic cooperation were operating in a number of LDCs as coordinating and aid planning bodies. New Soviet and East European commitments in 1974 totaled \$1.2 billion, about the same as in 1973 but 25% below the 1971-72 records. The failure to furnish large blocks of new aid reflected mostly the continuing slow draw down of existing aid. Although drawings against unused economic credits reached a new high of \$930 million, they were propelled by a record \$265 million Soviet grain shipment to India. Otherwise, drawings would have approximated recent annual levels.

Note: The substance of this publication has been coordinated with the Bureau of Intelligence and Research of the Department of State, with the Defense Intelligence Agency, and with the Agency for International Development. Comments and queries regarding this publication are welcomed. They may be directed to [redacted] of the Office of Economic Research, Code 143, Extension 5291.

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The commercial motivation for economic aid was high-lighted by the large Communist credits to Argentina, intended to correct the imbalance in Soviet and East European trade with Argentina. Soviet and East European equipment sales under these credits could rise to as much as \$850 million over the next several years.

Other major Soviet and East European economic aid went largely to ongoing projects, such as Moscow's new credit (\$216 million) to Pakistan for a steel mill being built with \$210 million of Soviet aid extended in 1971. In an unusual move, Moscow agreed to provide one-half of its \$28 million budget support credits to Bangladesh in hard currency.

China's \$200 million of new economic aid in 1974 marked a significant drop from its \$575 million annual commitments since the Cultural Revolution. Although still pursuing an active aid program in Africa, Peking reduced its new economic aid pledges, mostly because of a lack of opportunities and because outflows still were heavy for completing the Tan-Zam Railroad, China's largest single aid project in the Third World. Nevertheless, Peking's area of interest was unchanged, and except for a \$25 million credit to Laos, its major effort continued on the African continent. Peking's two major clients -- Tanzania and Zambia -- again took the lion's share (65%) of China's total aid. Its only significant military commitment (\$61 million) was to its chief military client -- Pakistan. (S/NFD)

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Soviet Chairman Kosygin Visits North Africa

Chairman of the USSR Council of Ministers Kosygin visited Libya and Tunisia during May for wide-ranging talks on economic and political matters. ~~IT IS PROBABLE~~ <sup>probably</sup> THAT KOSYGIN <sup>probably</sup> NEGOTIATED A NEW MILITARY AGREEMENT [REDACTED] (C)

As a result of discussions in Libya, the two sides signed 25X1B an economic and technical assistance agreement, whose provisions will be further elaborated during the annual meeting of the Soviet-Libyan joint economic commission in June. Libya has requested Soviet assistance for an iron and steel plant and a nuclear power plant, but it is unlikely that agreement on these projects was reached. There was no public reference to discussions of Libyan oil sales to the USSR. On the military side, Moscow has denied Egyptian press allegations that a multi-billion dollar military agreement was signed during the visit. <sup>probably</sup> ~~It is possible, but it is not certain that the USSR signed a military supply agreement, however, that a more modest military pact was concluded.~~ Libyan Chairman ~~Qadhafi~~ Qadhafi accepted the Soviet leader's invitation to 25X1B visit the USSR, presumably in the near future. (C)

In Tunis the Soviet delegation studied Tunisian requests for Soviet assistance to Tunisia's new five-year plan. The USSR announced agreement in principle to construct two dams under some \$18 million of previous Soviet credits and offered to expand Tunisia's fishing industry. (C)

FBIS 16 May 75

TUNIS 3128, 23 May 75, C

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Soviet MIG 23 Deliveries to Libya 25X1B

The USSR delivered as many as [REDACTED] MIG-23s to Libya in May, the first MIG-23s in Tripoli's inventory. The shipment ~~is~~ <sup>is</sup> ~~MOVED~~ <sup>UNDER</sup> an arms agreement concluded with the USSR last year.

~~When the shipment arrived~~ Libya becomes the fourth Arab country to receive the advanced MIG-23. (S/NFO)

*various shipping reports*

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USSR and Morocco Resume Discussions on Phosphate Agreement

Soviet and Moroccan officials resumed talks in Rabat on Soviet development and exploitation of the <sup>2</sup>Maskalas phosphate deposits. The draft agreement calls for Soviet financing and construction of a phosphate mine at Miskalas, ~~as well as~~ construction of a <sup>30 KM</sup> railroad ~~and~~ <sup>TO REPAIR THE PORT OF ESSOUIRA, AND</sup> installation of ~~port~~ <sup>PHOSPHATE HANDLING</sup> facilities ~~at the port.~~ <sup>AT THE PORT.</sup> ~~about 30 km from Miskalas.~~ Under the proposal, the USSR would <sup>BUY</sup> ~~receive~~ <sup>3-5 3-5 MILLION TONS OF ROCK</sup> phosphates ~~at the rate of 3 to 5 million tons a year from 1980-1990~~ <sup>AND</sup> ~~to rise to 10 million tons annually~~ for ~~an additional 15 to 20 years.~~ <sup>A SUBSEQUENT</sup> ~~After 1990,~~ Negotiations ~~which~~ <sup>BECAUSE</sup> have gone on for more than a year, ~~but~~ <sup>RUSSIAN -</sup> ~~foundered when~~ Morocco refused to permit the USSR to reexport Moroccan phosphates or to use ~~imports~~ <sup>THEM</sup> to raise exports of ~~Soviet domestic ally-produced~~ <sup>WANTS A SHORTER TERM</sup> phosphates. Morocco also ~~objects to the length of the contract.~~ ~~It is not clear whether a compromise has been reached, but the~~ Recent softening in demand for Moroccan phosphates may ~~enable~~ <sup>STRENGTHEN THE SOVIET BARGAINING POSITION.</sup> ~~the USSR to extract its own terms from the Moroccans.~~ (C)

STATE RABAT 2534, 29 May 75, C

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*East Asia*

SECRET/NO FOREIGN DISSEM

Indonesia Proposes Projects for Communist Financing

The Indonesian National Planning Board has compiled a list of projects ~~SUITABLE~~ for Soviet and East European financing valued at \$825 million. The proposals concentrate heavily on development of ports, inland waterways, ~~maritime~~ <sup>INTER ISLAND</sup> transport, and Indonesia's ocean going fleet. Construction activity and ~~ship~~ <sup>ship</sup> procurement ~~of vessels in these sectors~~ carry a <sup>TOTAL</sup> price tag of more than \$500 million. An additional \$95 million is ~~allocated to~~ <sup>for</sup> power development and \$35 million for the rehabilitation of railroad and motor transport facilities. The remaining projects are ~~SCATTERED OVER~~ agricultural processing and ~~industries~~ <sup>MANUFACTURING</sup>. (S/NFD)

During a tour of the USSR and Eastern Europe last fall, Indonesian Foreign Minister Malik received assurances that Indonesian aid requests would receive favorable consideration. The USSR signed a new economic and technical assistance agreement in December, with the ~~size~~ <sup>MAGNITUDE</sup> of credits ~~to~~ <sup>WILL</sup> be set after ~~project~~ <sup>SOVIET REVIEW</sup> ~~OF INDONESIAN PROJECT SUGGESTIONS.~~ (S/NFD)

Indonesia's ~~interest in~~ <sup>INTEREST IN</sup> following up on ~~aid~~ <sup>ING</sup> aid requests to Communist countries may have cooled since ~~the~~ Western countries ~~have~~ <sup>HAVE</sup> pledged over \$900 million in new aid at their annual consortium meeting in May. This level was higher than pledges in 1974. Jakarta's initiatives in seeking aid from Communist countries 25X1C last year was prompted by fears of a sharp decline in Western aid, ~~ATTENDANT ON INDONESIA'S INCREASED OIL EARNINGS.~~ (S/NFD)

25X1C

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26 Jun 75

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Philippines Receives First Communist Credits

During a state visit to the Philippines in April, Romanian President Ceausescu signed an agreement to provide \$31 million for construction of a thermal powerplant on Cebu. The terms of the credit agreement, Manila's first with a Communist country, were not announced. Romania also agreed to buy \$65 million worth of nickel over the next six years. For its part, the Philippines signed contracts to purchase offshore oil drilling equipment valued at \$3.6 million and 500 Romanian tractors. (C)

MANILA 4808, 16 Apr 75, C.

~~SECRET/NO FOREIGN DISSEM~~



**SECRET/NO FOREIGN DISSEM**Brazil and China Negotiate Iron Ore Contract

Negotiation of a <sup>10</sup>~~year~~ year contract with Brazil marks China's first attempt to conclude a long-term iron ore agreement with an LDC producer. A Brazilian firm has offered 6.8 million long tons of ore to be shipped at a rate of about 700,000 tons annually through 1984. Prices would be negotiated each year, but the current market value of the agreement is estimated at a minimum of \$220 million. The new agreement is consistent with Chinese initiatives over recent years to assure long-term supplies of basic raw materials for Chinese industry. Brazil, with its abundant supplies of agricultural and other primary products, has become a particularly important trading partner for China over the past three years. In 1973, Chinese purchases from Brazil are estimated at almost \$9<sup>4</sup>/<sub>5</sub> million. (S/NFD)

Sources: ?

**SECRET/NO FOREIGN DISSEM**

~~SECRET/NO FOREIGN DISSEM~~

Peru Signs \$95 Million in Contracts with Hungary

During May, Peru signed a \$20 million contract with Hungary for expanding the Canyon del Pato hydroelectric plant as the final allocation under a \$38 million credit extended in 1972. Lima previously has drawn on the credit to finance purchases of power, ~~GENERATING AND DISTRIBUTING AND EDUCATIONAL MATERIALS,~~ ~~and educational equipment.~~ Long-term trade contracts signed at the same time are valued at about \$75 million. Among other items, Peru will export 40,000 tons of fishmeal annually (1976-78) worth \$30 million at current prices, as well as an estimated \$36 million of copper and other metals during 1975-1980. Hungary is Peru's major ~~COMMUNIST~~ <sup>EAST EUROPEAN</sup> trading partner. In 1974, trade between the two countries totaled \$19 million, of which only \$5.5 million represented Peruvian exports. (U)

SOURCES: Lima May 9 1975 A87

FBIS 14 May 75

25X1A



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*Near East and South Asia*  
Bangladesh Signs First Trade Contracts with China

The Dacca press reported in May that Bangladesh established its first formal direct trade links with China during the visit of a four-man delegation to the Canton Trade Fair. Four contracts reportedly were signed, but the goods to be traded were not announced. The agreements were hailed as a prelude to the establishment of diplomatic relations. (U)

~~Dacca will welcome its new trade ties with China for both economic and political reasons.~~ Bangladesh has been seeking new markets for its jute products and views China as a potentially important source of cheap consumer goods imports. In addition, Dacca probably hopes that China can persuade Pakistan to adopt more favorable policies on the division of assets and repatriation of Bangladesh nationals, questions outstanding since Bangladesh achieved independence in 1971. Pakistan is the largest recipient of Chinese economic and military aid in the Third World.

DACCA PRESS, 20 May 75

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Egypt and USSR Sign Economic Agreements

Egypt and the USSR concluded a number of economic agreements during May which should heighten activity at existing Soviet project sites in Egypt. The USSR signed final contracts, <sup>valued at \$105 million</sup> to go ahead with a 600,000-ton cement plant at Asyut, and to increase the capacity of the Soviet-assisted Naja Hamadi aluminum complex to 166,000 tons annually, **AND TO EXPAND A MACHINERY PLANT.** The USSR will take 35% of Egypt's aluminum output. The two sides also discussed third stage expansion at the Helwan iron and steel complex, an undertaking that will require new credits. Second stage activity, <sup>Now in progress will</sup> ~~is currently underway~~ to raise steel capacity to 1.5 million tons a year by 1976.

The two countries also signed protocols on electrification projects valued at \$15.6 million. Projects include installation of transformers in upper Egypt, renovation of the Suez power station, and improvements to the Aswan power station.

FBIS, 7, 13, 21, May.  
CAIRO 5275, 27 May 75, 000.

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Romania Negotiates Kuwaiti Financing

Romania's Oil Minister visited Kuwait in May for talks which reportedly ~~included the joint~~ <sup>COVERED PARTICIPATION IN</sup> establishment of a petrochemical complex in Romania at a total cost of \$1 billion. Kuwait would <sup>about 44%</sup> supply ~~one-half~~ of the equity as well as the crude oil <sup>FEEDSTOCK</sup> ~~needed~~ for the venture. (U) <sup>A</sup> Romania already is importing small amounts of Kuwaiti crude under a agreement signed in 1974. The new complex may come under an economic cooperation pact signed last year which calls <sup>DEVELOPMENT OF</sup> ~~for~~ joint projects in <sup>th</sup> chemical, petroleum, and construction industries over the next five years. (S/NFD)

In addition, the Kuwait International Investment Company was arranging a second bond issue on behalf of Romania during May. The \$40 million issue was to carry the same terms as a \$60 million note negotiated in March, which was fully subscribed by the Kuwait Ministry of Finance on behalf of the Romanian Bank of Foreign Trade. Repayment ~~will be in~~ <sup>IS SCHEDULED FOR</sup> eight years at 9.5% interest. (S/NFD)

Kuwait and other OPEC countries are likely to increase ~~their~~ <sup>new sources of</sup> economic contacts with Eastern Europe in ~~their~~ search <sup>OF</sup> ~~for~~ raw materials and outlets for ~~OPEC lending and investments~~ <sup>SURPLUS FUNDS</sup>. East European countries, in turn, are seeking means to finance higher oil and other import costs. <sup>BUDAPEST</sup> ~~Hungary~~ will send an economic delegation to Kuwait in June, most likely to follow up <sup>EARLIER HUNGARIAN</sup> ~~on a request for as much~~ as <sup>A</sup> \$300 million <sup>LINE</sup> of credit from Kuwait. (C)

- SOURCES: 1. MEES, 2 May 75 (U)  
25X1A 2. [REDACTED]  
3. State, Kuwait 2029, 13 May 75 (U)  
4. Background and analyses (C)

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26 Jun 75

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OTHER ACTIVITIES

ECONOMIC

Africa

Angola

← The Secretary General of the Front for the National Liberation of Angola (FNLA) intends to travel to Peking in the near future to request increased Chinese military and financial assistance to his movement. China currently is providing military instructors for the FNLA army. (S/NFD) 25X1A

25X1C

25X1A

Gabon

Gabon signed an agreement on economic and technical cooperation with Romania in May, Gabon's first such pact with a Communist country. A trade agreement was signed at the same time. The two sides agreed to set up a joint committee to identify areas suitable for Romanian assistance. Projects mentioned include a petroleum refinery and petrochemical complex, agricultural development, and medical centers FBIS 16 May 75.

Ghana

China and Ghana signed a protocol to their 1972 trade agreement calling for a trade turnover of \$21 million during the next year. Ghana will export timber, minerals, cocoa, and other agricultural products in return for agricultural machinery, ferrous metals, and textiles. FBIS 22 May 75.

Mozambique

Frelimo leader Machel reportedly departed for a week's stay in the USSR in mid-May. The USSR has offered economic and military support to Mozambique following independence on 25 June. (C) Lourenco Marques 478, 12 May 75, C.

Somalia

A high-level Somali agricultural official departed for Peking at the invitation of Chinese officials to discuss assistance to animal husbandry and development of water resources and the forestry industry. China has been providing agricultural assistance to Somalia for more than ten years under an \$18 million credit agreement. FBIS 16 May 75. 10

East Asia

Indonesia

The Indonesian government has approved the direct sale of up to 10,000 tons of rubber to Bulgaria, with delivery to begin within three months. The transaction could be worth up to \$5.3 million. FBIS 16 May 75.

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Philippines Hungary and the Philippines began formal negotiations on their first trade agreement on 19 May. FBIS 19 May 75.

~~South Vietnam~~ The USSR signed an agreement in May to provide oil products, chemical fertilizer, vehicles, food and consumer goods to South Vietnam this year. FBIS 29 May 75.

Latin America

Brazil Brazil is studying a Polish proposal to purchase 20,000 to 50,000 tons ships from Brazil and to sell ships up to 200,000 tons to Brazil. Earlier this year, the two countries signed a \$1 billion agreement for the exchange of Polish coal for Brazilian iron ore. FBIS 21 May 75.

Ecuador Construction is scheduled to start in June on a joint astronomy research station to be manned by Soviet and Ecuadorian scientists. JPRS 64715, 7 May 75.

Mexico During May, China agreed to buy 1,000 tons of Mexican coffee valued at \$1 million. Trade between the two countries has been active since the conclusion of their first trade agreement two years ago, and in 1973 exchanges approached \$40 million. FBIS 7 and 14 May 75.

Mexican officials have responded coolly to an East German offer of \$10 million in credits for the purchase of communications equipment. The offer reportedly involved discounts of up to 30% on the German equipment, which could be paid for under a barter agreement. (OUO) A-103, 8 May 75.

The USSR and Mexico signed a technical protocol on 20 May calling for cooperation in machine building, energy, agriculture, geology, and other fields. A joint committee will oversee technical exchanges under the agreement. (OUO) Moscow 6910, 20 May 75, OUO.

TRINIDAD + TOBAGO

INSERT FROM NE SECTION

Near East and South Asia

Bangladesh Bangladesh and East Germany concluded their annual barter trade protocol on 30 April calling for the exchange of \$5 million of East German medical and pharmaceutical goods, fertilizers and typewriters for jute goods and other products. FBIS 30 April 75,

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Cyprus

Bulgaria signed an agreement to employ Cypriot personnel on construction projects in Bulgaria. The number of workers involved was not disclosed. FBIS 28 May 75.

The USSR will supply equipment for sulfuric and phosphoric acid plants in Cyprus under the provisions of a trade contract to be signed in the near future. The USSR already has delivered port equipment and a cement plant to Cyprus, probably under an agreement signed earlier this year. FBIS 20 May 75.

Egypt

The Romanian-Egyptian trade protocol for 1975, signed in mid-May, calls for a total turnover of \$156 million, a slight increase over 1974. FBIS 20 May 75.

India

The USSR has allocated \$7 million for the preparation of engineering studies for development of coal fields at Singravli and Raniganj. FBIS 13 May 75.

A Soviet delegation led by the Deputy Foreign Trade Minister arrived in India to continue negotiations on a new long-term trade agreement for 1976-80. The two sides have announced plans to double the present level of exchanges by 1980. In 1974, Soviet-Indian trade totaled . FBIS 28 May 75.

Iran

Czechoslovakia and Iran signed a protocol to double trade in 1975 to \$80 million. FBIS 9 May 75.

The joint Romanian-Iraqi economic commission signed trade and economic agreements during a session held in Bucharest early in May. Romania agreed to provide assistance to agriculture and the petroleum industry. Romania extended \$35 million in credits to Iraq for oil development in 1971. Little activity has taken place under this agreement. FBIS 14 May 75.

Iraq

The PRC will purchase 50,000 tons of sulfur from Iraq under a contract signed on 28 May. Deliveries will be completed in six months. FBIS 29 May 75.

A protocol signed at the sixth session of the Soviet-Iraqi joint economic committee was characterized as the most extensive ever signed between the two countries. The protocol governs Soviet project assistance to Iraq over the next five years. Final agreement apparently has not been reached on several Iraqi proposals. Closer cooperation is envisaged in the petroleum and power industries and irrigation. Some \$300 million in credits still is outstanding under previous aid agreements. (FBIS)

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South Yemen

China signed a formal agreement in May to build a 140-mile road from Shehr to Sayhut, probably with funds from a 1972 agreement. FBIS 15 May 75.

Trinidad and Tobago

Peking agreed to purchase sugar, cocoa, and coffee and to consider purchases of other traditional products during the visit of a trade mission from Trinidad in May. It is not known if the two sides considered a recent Chinese proposal to exchange oil industry technicians. FBIS 15 May 75.

Turkey

The USSR and Turkey concluded an agreement to expand the capacity of the Soviet-financed Iskenderun steel mill from ~~one to two~~ million tons of steel. In 1972 the USSR extended \$158 million for second stage expansion at the plant, bringing total commitments to the project to \$375 million. FBIS 28 May 75.

Turkey's National Assembly has endorsed an agreement with the USSR for joint construction of a dam on the Arpaçay River. Turkey's contribution to the project, which will irrigate 40,000 acres on the Igdir plain, totals \$2 million. BBC ME 15 Apr 75.

UAE

A Romanian delegation to Abu Dhabi outlined proposals to purchase crude oil in exchange for Romanian equipment and expertise for the petroleum industry. FBIS 20 May 75.

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OTHER ACTIVITIES

MILITARY

25X1B

25X1B

Africa

25X1B

Congo 25X1B The PRC delivered small patrol boats and helicopters to Pointe Noire in March.

25X1B

25X1B

These deliveries are part of military aid program which has been underway since late 1964. 26 April 75.

25X1A

Somalia

In early May a 16-member Somalian military delegation left for a 10-day visit to the USSR. The delegation was expected to hold talks on bilateral military relations with the Soviet government. FBIS 8 May 1975 (UNC)

Sudan

25X1B

A Chinese military delegation left Peking on 19 May for Sudan, to take part in the sixth anniversary celebration of the 29 May Revolution.

China has previously provided some of military equipment to Sudan, including jet fighters and tanks. Although no major Chinese deliveries have occurred since 1973 about in arms remains to be delivered. The delegation may discuss delivery schedules for the remaining equipment. FBIS 21 MAY 75 B + A, SIN. 25X1B 25X1B

Zaire

25X1B

North Korea has made its first delivery of artillery to Zaire. In late March North Korean artillery pieces were observed being unloaded from a ship in Matadi. A North Korean-Zaire arms accord covering this delivery was concluded last year when military delegations were exchanged. Additional deliveries will probably include the range of weapons common to a North Korea infantry division -- machine guns, anti-tank missile launchers, recoilless guns, mortars, and artillery. 6821 0024-75 29 April 75 (C)

Near East and South Asia

Afghanistan

25X1B

25X1B

Kraz-255 prime movers were shipped from the USSR to Afghanistan in late March and an additional were delivered in early April. These are the first known military deliveries since November 1974, when deliveries stopped because of the winter weather. Tanks are expected to be delivered soon; tank transporters were recently observed at a Soviet-Afghan transshipment point. (C)

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**SECRET/NO FOREIGN DISSEM**

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*Communist Aid and Trade Activities  
in Less Developed Countries, May 1975*

**Secret**

ER RP 75-20

July 1975

Copy

**Nº 59**

**NATIONAL SECURITY INFORMATION**  
**Unauthorized Disclosure Subject to Criminal Sanctions**

Classified by 015319  
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of E.O. 11652, exemption category:  
§ 5B(1), (2), and (3)  
Automatically declassified on:  
date impossible to determine

**CONTENTS AND SUMMARY OF EVENTS  
(May 1975)**

**Highlights**

Significant Soviet activity in the Third World in May focused on North Africa. During a visit to Libya, Soviet Chairman Kosygin apparently signed a military agreement. Kosygin flew on to Tunisia, where he signed an agreement in principle to construct two dams, a Soviet specialty in the area. Soviet officials arrived in Morocco to resume negotiations on a deal to develop phosphate deposits in return for a long-term Moroccan contract to supply phosphate rock. China signed its first direct trade contracts with Bangladesh and was negotiating its first long-term iron ore purchase agreement with an LDC. The Philippines received its first Communist aid, from Romania, while Bucharest was the beneficiary of a bond issue sponsored by Kuwait on behalf of the Romanian Foreign Trade Bank.

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**Africa**

Soviet Chairman Kosygin Visits North Africa . . . . .	3
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Chairman of the USSR Council of Ministers Kosygin signed agreements with Libya and Tunisia during visits to the two countries in May.

Soviet MIG-23 Deliveries to Libya . . . . .	4
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The USSR delivered the first MIG-23 to Libya during May under an arms agreement concluded last year.

USSR and Morocco Resume Discussions on Phosphate Agreement . . . . .	4
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Soviet and Moroccan officials resumed discussions on a draft agreement calling for Soviet assistance for exploitation of phosphate deposits at Miskalas in return for long-term phosphate rock deliveries from Morocco.

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**East Asia**

**Indonesia Proposes Projects for Communist Financing . . . . . 4**

The Indonesian National Planning Board has compiled a list of project proposals for Soviet and East European financing valued at \$825 million.

**Philippines Receives First Communist Credits . . . . . 5**

Romania became the Philippines first Communist aid donor with a pledge of \$31 million in credits for a thermal powerplant.

**Latin America**

**Brazil and China Negotiate Iron Ore Contract . . . . . 5**

During May, China was negotiating a long-term iron ore purchase contract with Brazil, its first major deal with an LDC iron ore producer.

**Peru Signs \$95 Million in Contracts with Hungary . . . . . 6**

Peru signed contracts in May to deliver \$75 million in Peruvian commodities to Hungary over the next five years and to purchase \$20 million in Hungarian equipment under credit.

**Near East and South Asia**

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<b>Romania Negotiates Kuwaiti Financing . . . . .</b>	<b>7</b>
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During May, Romania's Oil Minister visited Kuwait to discuss the joint establishment of a billion dollar petrochemical complex in Romania to use Kuwaiti oil. In addition, Kuwait sponsored a second bond issue, valued at \$40 million, on behalf of the Romanian Trade Bank.

**Other Activities**

<b>Economic . . . . .</b>	<b>8</b>
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**Annex**

<b>Communist-LDC Trade Continues To Rise in 1973 . . . . .</b>	<b>A-1</b>
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COMMUNIST AID AND TRADE ACTIVITIES  
IN LESS DEVELOPED COUNTRIES  
MAY 1975

General

Summary of ER IR 75-16, Communist Aid to Less Developed  
Countries of the Free World, 1974

New Communist military and economic aid to the less developed countries (LDCs) of the Free World dropped to US \$2.7 billion in 1974, its lowest level in three years. In spite of the reduced program, there was no apparent change in Communist aid policy. Programs under way continued at roughly the same pace as in most recent years, and the number of Communist military and economic personnel stationed in LDCs increased.

Most of the decline in 1974 was in military aid, which dropped sharply from the abnormally high crisis levels of 1973. Military aid, always more politically oriented than economic aid, although 30% smaller in 1974, demonstrated again the extent of the Soviet and East European commitment to the Middle East. For Iraq it was a record year; for Syria, second only to 1973. Reflecting the strains in Soviet-Egyptian political relations, Egypt received no new military aid, while aid to Iraq and Syria accounted for more than 60% of the USSR's and Eastern Europe's \$1.2 billion of new military assistance to the LDCs. Iraq and Syria also had the largest contingents of Communist military advisers. Most significantly, Moscow's new deliveries of equipment to Iraq and Syria surpassed in sophistication the equipment furnished to any other LDC. The supersonic MIG-23 jet fighters, shipped to

Note: The substance of this publication has been coordinated with the Bureau of Intelligence and Research of the Department of State, with the Defense Intelligence Agency, and with the Agency for International Development. Comments and queries regarding this publication are welcomed. They may be directed to [REDACTED] of the Office of Economic Research, Code 143, Extension 5291.

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Iraq and Syria, have not been provided to Warsaw Pact countries. Also reflecting political overtones, Iran was the only other country to receive a large new military commitment in 1974 -- [REDACTED] ground forces equipment, military support, and engineering equipment. 25X1B

Moscow and Eastern Europe continued to use economic aid to advance and protect their commercial and long-term economic interests. Again, in 1974, the formation of joint industrial and commercial ventures with LDCs increased, and joint committees for economic cooperation were operating in a number of LDCs as coordinating and aid planning bodies. New Soviet and East European economic commitments in 1974 totaled \$1.2 billion, about the same as in 1973 but 25% below the 1971-72 records. The failure to furnish large blocks of new aid reflected mostly the continuing slow drawdown of previous aid. Although drawings against unused economic credits in 1974 reached a new high of \$930 million, they were propelled by a record \$265 million Soviet grain shipment to India. Otherwise, drawings would have approximated recent annual levels.

The commercial motivation for economic aid was highlighted by the large Communist credits to Argentina, intended to correct the imbalance in Soviet and East European trade with Argentina. Other major Soviet and East European economic aid went largely to ongoing projects, such as Moscow's new credit (\$216 million) to Pakistan for a steel mill being built with \$210 million of Soviet aid extended in 1971. In an unusual move, Moscow agreed to provide one-half of its \$28 million budget support credits to Bangladesh in hard currency.

China's \$200 million of new economic aid in 1974 marked a significant drop from its \$575 million annual commitments since the Cultural Revolution. Although still pursuing an active aid program in Africa, Peking reduced its new economic aid pledges, mostly because of a lack of opportunities and because outflows still were heavy for completing the Tan-Zam Railroad, China's largest single aid project in the Third World. Nevertheless, Peking's area of interest was unchanged, and except for a \$25 million credit to Laos, its major effort continued on the African continent.

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Peking's two major clients -- Tanzania and Zambia -- again took the lion's share (65%) of China's total economic aid. Its only significant military commitment (\$61 million) was to its chief military client -- Pakistan. (Secret No Foreign Dissem)

Africa

Soviet Chairman Kosygin Visits North Africa

Chairman of the USSR Council of Ministers Kosygin visited Libya and Tunisia during May for wide-ranging talks on economic and political matters. Kosygin probably negotiated a new military agreement with Libya [REDACTED] (Confidential)

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As a result of discussions in Libya, the two sides signed an economic and technical assistance agreement, whose provisions will be further elaborated during the annual meeting of the Soviet-Libyan joint economic commission in June. Libya has requested Soviet assistance for an iron and steel plant and a nuclear powerplant, but it is unlikely that agreement on these projects was reached. There was no public reference to discussions of Libyan oil sales to the USSR. On the military side, Moscow has denied Egyptian press allegations that a multibillion dollar military agreement was signed during the visit, but the USSR probably signed a military supply agreement [REDACTED]

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[REDACTED] Libyan Chairman Qadhafi accepted the Soviet leader's invitation to visit the USSR, presumably in the near future. (Confidential)

In Tunis the Soviet delegation studied Tunisian requests for Soviet assistance to Tunisia's new five-year plan. The USSR announced agreement in principle to construct two dams under some \$18 million of previous Soviet credits and offered to expand Tunisia's fishing industry. (Confidential)

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Soviet MIG-23 Deliveries to Libya

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The USSR delivered [REDACTED] MIG-23s to Libya in May, the first MIG-23s in Tripoli's inventory. The shipment moved under an arms agreement concluded with the USSR last year. Libya becomes the fourth Arab country to receive the advanced MIG-23. (Secret No Foreign Dissem)

USSR and Morocco Resume Discussions on Phosphate Agreement

Soviet and Moroccan officials resumed talks in Rabat on Soviet development and exploitation of the Miskalas phosphate deposits. The draft agreement calls for Soviet financing and construction of a phosphate mine at Miskalas, construction of a 20-mile railroad to the port of Essouira, and installation of phosphate handling facilities at the port. Under the proposal, the USSR would buy 3-5 million metric tons of phosphate rock a year in 1980-90 and 10 million tons annually for a subsequent 15-20 years. Negotiations which have gone on for more than a year foundered because Morocco refuses to permit the USSR to reexport Moroccan phosphates or to use them to raise exports of Russian-produced phosphates. Morocco also wants a shorter term contract. Recent softening in demand for Moroccan phosphates may strengthen the Soviet bargaining position. (Confidential)

East Asia

Indonesia Proposes Projects for Communist Financing

The Indonesian National Planning Board has compiled a list of projects suitable for Soviet and East European financing valued at \$825 million. The proposals concentrate on development of ports, inland waterways, inter-island transport, and Indonesia's oceangoing fleet. Construction activity and ship procurement carry a total price tag of more than \$500 million. An additional \$95 million is for power development and \$35 million for the rehabilitation of railroad and motor transport facilities. The remaining projects are scattered over agricultural processing and manufacturing industries. (Secret No Foreign Dissem)

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During a tour of the USSR and Eastern Europe last fall, Indonesian Foreign Minister Malik received assurances that Indonesian aid requests would receive favorable consideration. The USSR signed a new economic and technical assistance agreement in December. The magnitude of credits will be set after Soviet review of Indonesian project suggestions. (Secret No Foreign Dissem)

Indonesia's interest in following up on aid requests to Communist countries may have cooled since Western countries pledged over \$900 million in new aid at their annual consortium meeting in May. This level was higher than pledges in 1974. Jakarta's initiatives in seeking aid from Communist countries last year were prompted by fears of a sharp decline in Western aid attendant on Indonesia's increased oil earnings. (Secret No Foreign Dissem)

#### Philippines Receives First Communist Credits

During a state visit to the Philippines in April, Romanian President Ceausescu signed an agreement to provide \$31 million for construction of a thermal powerplant on Cebu. The terms of the credit agreement, Manila's first with a Communist country, were not announced. Romania also agreed to buy \$65 million worth of nickel over the next six years. For its part, the Philippines signed contracts to purchase offshore oil drilling equipment, valued at \$3.6 million, and 500 Romanian tractors. (Confidential)

#### Latin America

##### Brazil and China Negotiate Iron Ore Contract

Negotiation of a 10-year contract with Brazil marks China's first attempt to conclude a long-term iron ore agreement with an LDC producer. A Brazilian firm has offered 6.9 million tons of ore to be shipped at a rate of about 700,000 tons annually through 1984. Prices would be negotiated each year, but the current market value of the agreement is estimated at a

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minimum of \$80-\$90 million. The new agreement is consistent with Chinese initiatives over recent years to assure long-term supplies of basic raw materials for Chinese industry. Brazil, with its abundant supplies of agricultural and other primary products, has become a particularly important trading partner for China over the past three years. (Secret No Foreign Dissem)

#### Peru Signs \$95 Million in Contracts with Hungary

During May, Peru signed a \$20 million contract with Hungary for expanding the Canon del Pato hydroelectric plant as the final allocation under a \$38 million credit extended in 1972. Lima previously has drawn on the credit to finance purchases of power generating and distributing equipment and educational materials. Long-term trade contracts signed at the same time are valued at about \$75 million. Among other items, Peru will export 40,000 tons of fishmeal annually (1976-78), worth \$30 million at current prices, as well as an estimated \$36 million of copper and other metals during 1975-80. Hungary is Peru's major East European trading partner. In 1974, trade between the two countries totaled \$19 million, of which only \$5.5 million represented Peruvian exports. (Unclassified)

#### Near East and South Asia

##### Bangladesh Signs First Trade Contracts with China

The Dacca press reported in May that Bangladesh established its first formal direct trade links with China during the visit of a four-man delegation to the Canton Trade Fair. Four contracts reportedly were signed, but the goods to be traded were not announced. The agreements were hailed as a prelude to the establishment of diplomatic relations. (Unclassified)

Bangladesh has been seeking new markets for its jute products and views China as a potentially important source of cheap consumer goods

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imports. In addition, Dacca probably hopes that China might agree to persuade Pakistan to adopt more favorable policies on the division of assets and repatriation of Bangladesh nationals, questions outstanding since Bangladesh achieved independence in 1971. Pakistan is the largest recipient of Chinese economic and military aid in the Third World. (Unclassified)

#### Egypt and USSR Sign Economic Agreements

Egypt and the USSR concluded a number of economic agreements during May which should heighten activity at existing Soviet project sites in Egypt. The USSR signed final contracts valued at \$105 million to go ahead with a 600,000-ton cement plant at Asyut, to increase the capacity of the Soviet-assisted Naja Hamadi aluminum complex to 166,000 tons annually, and to expand a machinery plant. The USSR will take 35% of Egypt's aluminum output. The two sides also discussed third-stage expansion at the Helwan iron and steel complex, an undertaking that will require new credits. Second-stage activity now in progress will raise steel capacity to 1.5 million tons a year by 1976. (For Official Use Only)

The two countries also signed protocols on electrification projects valued at \$15.6 million. Projects include installation of transformers in upper Egypt, renovation of the Suez power station, and improvements to the Aswan power station. (For Official Use Only)

#### Romania Negotiates Kuwaiti Financing

Romania's Oil Minister visited Kuwait in May for talks which reportedly covered joint participation in a petrochemical complex in Romania at a total cost of \$1 billion. Kuwait would supply 49% of the equity as well as the crude oil feedstock for the venture. (Unclassified)

Romania already is importing small amounts of Kuwaiti crude under an agreement signed in 1974. The new complex may come under an economic

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cooperation pact signed last year which calls for development of joint projects in the chemical, petroleum, and construction industries over the next five years. (Secret No Foreign Dissem)

In addition, the Kuwait International Investment Company was arranging a second bond issue on behalf of Romania during May. The \$40 million issue was to carry the same terms as a \$60 million note negotiated in March, which was fully subscribed by the Kuwait Ministry of Finance on behalf of the Romanian Bank of Foreign Trade. Repayment is scheduled for eight years at 9.5% interest. (Secret No Foreign Dissem)

Kuwait and other OPEC countries are likely to increase economic contacts with Eastern Europe in search of new sources of raw materials and outlets for surplus funds. East European countries, in turn, are seeking means to finance higher oil and other import costs. Budapest will send an economic delegation to Kuwait in June, most likely to follow up an earlier Hungarian request for a \$300 million line of credit from Kuwait. (Confidential)

## OTHER ACTIVITIES

### Economic

#### Africa

Angola. The Secretary General of the Front for the National Liberation of Angola (FNLA) intends to travel to Peking in the near future to request increased Chinese military and financial assistance to his movement. China currently is providing military instructors for the FNLA army. (Secret No Foreign Dissem)

Gabon. Gabon signed an agreement on economic and technical cooperation with Romania in May, Gabon's first such pact with a Communist

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country. A trade agreement was signed at the same time. The two sides agreed to set up a joint committee to identify areas suitable for Romanian assistance. Projects mentioned include a petroleum refinery and petrochemical complex, agricultural development, and medical centers. (Unclassified)

Ghana. China and Ghana signed a protocol to their 1972 trade agreement calling for a trade turnover of \$21 million during the next year. Ghana will export timber, minerals, cocoa, and other agricultural products in return for agricultural machinery, ferrous metals, and textiles. (Unclassified)

Mozambique. Frelimo leader Machel reportedly departed for a week's stay in the USSR in mid-May. The USSR has offered economic and military support to Mozambique following independence on 25 June. (Confidential)

Somalia. A high-level Somali agricultural official departed for Peking at the invitation of Chinese officials to discuss assistance to animal husbandry, the development of water resources, and aid to the forestry industry. China has been providing agricultural assistance to Somalia for more than 10 years under an \$18 million credit agreement. (Unclassified)

#### East Asia

Indonesia. The Indonesian government has approved the direct sale of up to 10,000 metric tons of rubber to Bulgaria, with delivery to begin within three months. The transaction could be worth up to \$5.3 million. (Unclassified)

Philippines. Hungary and the Philippines began formal negotiations on their first trade agreement on 19 May. (Unclassified)



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Latin America

Brazil. Brazil is studying a Polish proposal to purchase ships of 20,000 to 50,000 tons from Brazil and to sell ships of up to 200,000 tons to Brazil. Earlier this year, the two countries signed a \$1 billion agreement for the exchange of Polish coal for Brazilian iron ore. (Unclassified)

Ecuador. Construction is scheduled to start in June on a joint astronomy research station to be manned by Soviet and Ecuadorean scientists. (Unclassified)

Mexico. During May, China agreed to buy 1,000 tons of Mexican coffee valued at \$1 million. Trade between the two countries has been active since the conclusion of their first trade agreement two years ago, and in 1973 exchanges approached \$40 million. (Unclassified)

Mexican officials have responded coolly to an East German offer of \$10 million in credits for the purchase of communications equipment. The offer reportedly involved discounts of up to 30% on the German equipment, which could be paid for under a barter agreement. (For Official Use Only)

The USSR and Mexico signed a technical protocol on 20 May calling for cooperation in machine building, energy, agriculture, geology, and other fields. A joint committee will oversee technical exchanges under the agreement. (For Official Use Only)

Trinidad and Tobago. Peking agreed to purchase sugar, cocoa, and coffee and to consider purchases of other traditional products during the visit of a trade mission from Trinidad in May. It is not known whether the two sides considered a recent Chinese proposal to exchange oil industry technicians. (Unclassified)

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Near East and South Asia

Bangladesh. Bangladesh and East Germany concluded their annual barter trade protocol on 30 April calling for the exchange of \$5 million of East German medical and pharmaceutical goods, fertilizers, and typewriters for jute goods and other products. (Unclassified)

Cyprus. Bulgaria signed an agreement to employ Cypriot personnel on construction projects in Bulgaria. The number of workers involved was not disclosed. (Unclassified)

The USSR will supply equipment for sulfuric and phosphoric acid plants in Cyprus under the provisions of a trade contract to be signed in the near future. The USSR already has delivered port equipment and a cement plant to Cyprus, probably under an agreement signed earlier this year. (Unclassified)

Egypt. The Romanian-Egyptian trade protocol for 1975, signed in mid-May, calls for a total turnover of \$156 million, a slight increase over 1974. (Unclassified)

India. The USSR has allocated \$7 million for the preparation of engineering studies for development of coal fields at Singravli and Raniganj. (Unclassified)

A Soviet delegation led by the Deputy Foreign Trade Minister arrived in India to continue negotiations on a new long-term trade agreement for 1976-80. The two sides have announced plans to double the present level of exchanges by 1980. In 1974, Soviet-Indian trade totaled \$812 million. (Unclassified)

Iran. Czechoslovakia and Iran signed a protocol to double trade in 1975 to \$80 million. (Unclassified)

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Iraq. The PRC will purchase 50,000 tons of sulfur from Iraq under a contract signed on 28 May. Deliveries will be completed in six months. (Unclassified)

The joint Romanian-Iraqi economic commission signed trade and economic agreements during a session held in Bucharest early in May. Romania agreed to provide assistance to agriculture and the petroleum industry. Romania extended \$35 million in credits to Iraq for oil development in 1971. Little activity has taken place under this agreement. (Unclassified)

South Yemen. China signed a formal agreement in May to build a 140-mile road, probably with funds from a 1972 agreement. (Unclassified)

Turkey. The USSR and Turkey concluded an agreement to expand the capacity of the Soviet-financed Iskenderun steel mill from 1 to 2 million tons of steel. In 1972 the USSR extended \$158 million for second stage expansion at the plant, bringing total commitments to the project to \$421 million. (Unclassified)

Turkey's National Assembly has endorsed an agreement with the USSR for joint construction of a dam on the Arpa Cayi River. Turkey's contribution to the project, which will irrigate 40,000 acres on the Igdir plain, totals \$2 million. (Unclassified)

United Arab Emirates. A Romanian delegation to Abu Dhabi outlined proposals to purchase crude oil in exchange for Romanian equipment and expertise for the petroleum industry. (Unclassified)

#### Military

#### Africa

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Congo. The PRC delivered [redacted] small patrol boats and [redacted] helicopters to Pointe Noire in March. [redacted]

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These deliveries are part of [REDACTED] military aid program which has been under way since late 1964. (Secret No Foreign Dissem)

Somalia. In early May a 16-member Somalian military delegation left for a 10-day visit to the USSR. The delegation was expected to hold talks on bilateral military relations with the Soviet government. (Unclassified)

Sudan. A Chinese military delegation left Peking on 19 May for Sudan, to take part in the sixth anniversary celebration of the 29 May Revolution. China has previously provided [REDACTED] military equipment to Sudan, including jet fighters and tanks. Although no major Chinese deliveries have occurred since 1973, [REDACTED] in arms remains to be delivered. The delegation may discuss delivery schedules for the remaining equipment. (Secret No Foreign Dissem)

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25X1B Zaire. North Korea has made its first delivery of artillery to Zaire. In late March, [REDACTED] North Korean artillery pieces were observed being unloaded from a ship in Matadi. A North Korean-Zaire arms accord covering this delivery was concluded last year when military delegations were exchanged. Additional deliveries will probably include the range of weapons common to a North Korean infantry division -- machineguns, antitank missile launchers, recoilless guns, mortars, and artillery. (Confidential)

#### Near East and South Asia

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Afghanistan. [REDACTED] Kraz-255 prime movers were shipped from the USSR to Afghanistan in late March and an additional [REDACTED] were delivered in early April. These are the first known military deliveries since November 1974, when deliveries stopped because of the winter weather. Tanks are expected to be delivered soon; tank transporters were recently observed at a Soviet-Afghan transshipment point. (Confidential)

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COMMUNIST AID AND TRADE ACTIVITIES  
IN LESS DEVELOPED COUNTRIES,  
MAY 1975

ANNEX

COMMUNIST-LDC TRADE CONTINUES TO RISE IN 1973

Summary

1. Communist-LDC trade made unprecedented gains in 1973, overshadowing the record performance of the previous year. Price inflation and changes in the values of currencies, however, contributed substantially to the increase.

2. The dollar value of Communist-LDC trade turnover rose by almost 50%, to more than \$13 billion, compared with a growth in total world trade during the same period of about 40%. Still, LDC trade accounted for less than 15% of total Communist trade, and for the LDCs this trade was only 5% of their total turnover.

3. All Communist countries participated in the increase, but the rise in Chinese trade was proportionately greater than for others. The jump in trade with the LDCs reflected Peking's more vigorous initiatives to expand its markets and its need to augment raw material supplies to support its expanding industrial effort. China continued to show a surplus of more than \$200 million in its LDC trade, in spite of a large deficit with Latin American partners.

4. The overall Communist surplus in trade with the LDCs rose by \$900 million in 1973, to almost \$2.4 billion. Although much of the surplus cannot be distributed among LDC trading partners, the undistributed element

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almost certainly includes Soviet military exports\* as well as East European exports under military contracts and economic aid agreements.

### Discussion

#### Rising Prices Have Major Impact

5. Far higher prices for the food, metals, minerals, and other primary products that constitute the bulk of Communist purchases from LDCs contributed heavily to the overall increase in Communist-LDC trade. In 1973, for example, the USSR paid 30% more for rubber and 40% more for sugar, and the price for raw wool more than doubled. The world market price of other major Communist imports, such as Latin American copper, grain, and fishmeal, rose 60%-90% in 1973 compared with 1972. Throughout the year, prices for primary products rose faster than those for manufactures. The increase in prices of Soviet exports, dominated by machinery and equipment deliveries, reportedly increased by about 10% in 1973.

6. As world demand and prices rose for primary products in 1973 some LDCs began to take a hard look at the profitability of their long-term barter arrangements with Communist countries. LDC producers became less willing to accept Communist machinery and equipment for hard currency earning exports. By 1974, several LDC exporters of petroleum, phosphates, metals, and agricultural raw materials had renegotiated some of their agreements with Communist countries to require payments in hard currency. Notable among these were Iran, Iraq, Syria, Ghana, Morocco, Nigeria, Sudan, and Tunisia. This phenomenon was less evident among sub-Saharan African countries than elsewhere. A large proportion of their imports from the USSR and China, are shipped under aid agreements. Communist countries often take less desirable commodities that do not find a ready market

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\* For a more detailed discussion of Soviet-LDC trade see ER IR 74-29, Record Soviet-LDC Trade in 1973, November 1974, Confidential.

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elsewhere. Communist countries probably do not press for annual settlements on barter account if African partners are facing severe payment difficulties.

#### Direction of Trade

7. Although Latin American countries emerged as major raw materials suppliers during 1973, they did not challenge the dominance of Near Eastern and South Asian countries in Communist trade (see the table).

8. The importance of the Near East and South Asian area was bolstered by a doubling in the value of Communist fuel imports to more than \$600 million. This increase reflected expanded volume, as well as price increases. Moscow almost tripled the volume of its crude imports from Iraq, but the price rose only 20%. Iraq, Iran, and Afghanistan were the source of most of the \$400 million of Soviet fuel purchased from the Third World. The volume of Eastern Europe's direct purchases of crude oil from LDC producers rose almost 80% in 1973.

9. Latin America's increased importance as a raw materials supplier reflected a rising demand in Communist economies for basic commodities to satisfy agricultural shortfalls and to expand industrial production. Latin America accounted for the largest relative gain -- more than 60% -- in Communist-LDC trade turnover. Most of the increase came from a near-doubling in the value of Communist imports of food, hides, and minerals. The hefty Communist deficit in Latin American trade, experienced by all Communist trading partners, doubled in 1973 to over \$800 million.

10. In an attempt to stem the rapid deterioration in their trade positions, all Communist countries intensified their sales campaigns in Latin America. These were accompanied in 1974 by liberal Soviet and East European offers of credits for sales of machinery and equipment. The USSR was negotiating several large contracts for sales of power equipment to

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Argentina and agreed to sell \$160 million of petroleum products to Brazil. However, most Communist trade activity was still on the buying side, with additional new contracts in 1974 for sugar and other products from Brazil; meat, grain, and hides from Argentina; and minerals and metals from Chile and Peru.

#### Commodity Composition

11. Communist countries remain primarily a market for LDC raw materials and agricultural products in spite of LDC attempts to increase their sales of manufactured goods. For the USSR, raw materials and foodstuffs still represented 55% of its total imports from the LDCs in 1973. Although the share of manufactures has doubled since 1960, it accounted for only 15% of total Soviet imports from the Third World. The most significant change in the composition of Soviet-LDC trade is the large increase of fuel as a share of total Soviet imports. It accounted for 17% of total Soviet imports from LDCs in 1973, compared with 12% in 1972 and only 7% in 1971.

12. Machinery and equipment dominate Soviet exports to the Third World, having accounted for 50%-55% of Soviet exports to LDCs for more than a decade. These sales have been maintained to some extent by credits provided under the Soviet aid program. The ruble value of Soviet crude oil sales to Third World customers dropped 15% in 1973, to only 6% of total exports. Manufactured goods and other crude materials, however, maintained their usual shares for most recent years of about 10% each.

13. The composition of East European trade is believed to follow the Soviet pattern with a somewhat heavier weight to crude materials and fuels in the import totals

14. Almost all of China's imports from LDCs were raw materials and food. Developing countries provided 45% of China's crude materials imports in 1973, including all of China's rubber, half of its cotton, and 45% of its nonferrous metals imports.

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15. Light manufactures accounted for one-half of the PRC's exports to LDCs while food made up most of the remainder. Among Peking's world exports in 1973, 80% of its grain (mostly rice) exports, 70% of its iron and steel exports, and 30% of its textiles went to the Third World. (Confidential)

Million US \$

	Total				USSR				Eastern Europe				China			
	1972		1973		1972		1973		1972		1973		1972		1973	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Algeria <sup>1</sup>	5,114.4	3,610.2	7,716.5	5,342.0	2,495.6	1,697.3	4,063.8	2,406.4	1,871.0	1,429.0	2,522.0	2,041.0	747.8	513.9	1,130.7	894.6
Africa.....	752.2	582.7	994.7	828.5	249.3	241.2	283.8	271.0	253.4	205.1	360.4	301.5	249.5	136.4	350.5	256.0
Algeria.....	139.0	134.7	171.3	164.3	67.6	70.9	87.3	70.3	57.6 <sup>2</sup>	53.3 <sup>2</sup>	69.0 <sup>2</sup>	82.0 <sup>2</sup>	13.8	10.5	15.0 <sup>2</sup>	12.0 <sup>2</sup>
Angola.....	0.1	0.7	0.2	1.5	N.R.	N.R.	N.R.	N.R.	0.1	0.7	0.2	1.5	Negl.	....	Negl.	....
Burundi.....	....	....	2.7	....	N.R.	N.R.	N.R.	N.R.	....	....	2.1	....	....	....	0.6	....
Cameroon.....	6.1	4.9	10.2	6.6	1.1	3.9	0.9	4.7	3.0	1.0	3.2	0.2	2.0	Negl.	6.1	1.7
Central African Republic.....	0.1	....	0.3	....	0.1	....	0.5	....	....	....	Negl.	....	....	....	....	....
Chad.....	0.8	....	1.1	....	N.R.	N.R.	N.R.	N.R.	....	....	....	....	....	....	....	....
Congo.....	2.4	2.2	1.6	3.5	0.4	1.2	1.6	3.5	....	....	....	....	0.8	....	1.1	....
Dahomey.....	2.7	....	2.8	2.8	1.7	....	1.8	2.8	....	....	....	....	2.0	1.0	....	....
Equatorial Guinea.....	0.1	....	....	4.2	0.1	....	....	4.2	....	....	....	....	1.0	Negl.	1.0 <sup>2</sup>	Negl.
Ethiopia.....	11.5	8.6	15.0	13.4	1.9	2.5	2.2	3.0	6.6	1.0	8.9	0.9	3.0	5.1	3.9	9.5 <sup>2</sup>
Gabon.....	0.1	1.5	0.1	1.4	N.R.	N.R.	N.R.	N.R.	0.1	1.5	0.1	1.4	....	....	....	....
Gambia.....	4.4	....	5.7	....	N.R.	N.R.	N.R.	N.R.	1.6	....	2.0	....	2.8	....	3.7	....
Ghana.....	23.3	59.5	34.6	76.0	11.1	37.1	13.1	37.8	6.2	19.3	10.9	28.9	6.0	3.1	10.6	9.3
Guinea.....	54.3	6.8	56.4	2.6	54.3	6.8	56.4	2.6	....	....	....	....	....	....	....	....
Ivory Coast.....	7.7	10.0	6.6	10.0	2.1	4.3	5.3	8.4	4.3	5.4	1.3	1.6	1.3	0.3	....	....
Kenya.....	13.0	7.8	15.5	12.2	0.8	0.8	0.3	....	8.8	2.5	10.6	3.5	3.4	4.5	4.6	8.7
Liberia.....	5.5	....	12.1	....	N.R.	N.R.	N.R.	N.R.	3.5	....	5.2	....	2.0	....	6.9	....
Libya.....	86.4	55.7	139.6	155.6	10.4	36.3	19.0	41.0	50.6	19.4 <sup>4</sup>	93.5	67.0 <sup>4</sup>	25.4	....	27.1	47.6
Malagasy Republic.....	Negl.	1.5	10.1	0.8	....	1.4	....	0.4	Negl.	0.1	Negl.	0.6 <sup>2</sup>	Negl.	4.0 <sup>3</sup>	5.1	Negl.
Mali.....	5.9	1.4	9.3	0.7	1.3	1.4	3.6	0.7	0.6 <sup>2</sup>	Negl.	0.6 <sup>2</sup>	Negl.	Negl.	....	10.1	0.4
Mauritania.....	1.4	1.7	1.8	2.6	N.R.	N.R.	N.R.	N.R.	....	1.7	....	2.6	1.4	....	1.8	....
Mauritius.....	4.3	....	6.4	....	N.R.	N.R.	....	....	1.7	....	1.2 <sup>2</sup>	....	2.6	....	5.2	....
Malawi.....	....	....	0.5	Negl.	N.R.	N.R.	....	....	....	....	0.5	....	....	....	....	....
Morocco.....	79.2	77.7	78.4	102.9	38.1	28.7	38.2	35.2	22.7	29.8	25.6	42.1	18.4	19.2	14.6	25.6
Mozambique.....	0.2	Negl.	0.2	0.1	N.R.	N.R.	....	....	0.2	Negl.	0.2	0.1	Negl.	....	....	....
Niger.....	1.4	Negl.	....	....	N.R.	N.R.	N.R.	N.R.	0.3	....	....	....	1.1	Negl.	....	....
Nigeria.....	65.6	35.0	91.9	54.9	10.9	24.0	14.8	39.0	28.2	5.1	41.2	8.2	26.5	5.9	35.9	7.7
Reunion.....	....	....	7.8	....	....	....	....	....	....	....	....	....	....	....	7.8	....
Senegal.....	10.3	1.0	12.4	Negl.	1.7	0.4	6.6	....	1.6	0.1	1.0	Negl.	7.0	0.5	4.8	N.R.
Sierra Leone.....	11.7	2.2	16.2	2.4	1.0	1.9	1.6	2.0	6.7	....	8.8	....	4.0	0.3	5.8	0.4
Somalia.....	17.0	5.3	34.4	2.4	14.2	3.5	15.5	1.5	0.3	1.4	0.1	Negl.	2.5	0.4	18.8	0.9
Sudan.....	66.2	66.0	63.7	85.3	20.7	1.3	3.4	....	19.5	23.1	25.1	19.9	26.0	41.6	35.2	65.4
Tanzania.....	77.9	23.0	111.2	22.6	0.7	1.0	0.8	3.4	6.1	3.0	10.2	5.2	71.1	19.0	100.2	14.0
Togo.....	8.2	6.3	5.1	2.9	1.7	4.7	1.9	....	2.5	1.6	1.3	2.5 <sup>2</sup>	4.0	....	1.9	0.4
Tunisia.....	15.2	23.6	27.1	27.3	3.3	8.3	7.8	7.3	11.5	14.4	17.0	18.7	0.4	0.9	2.3	1.3
Uganda.....	6.5	24.2	4.8	17.6	4.1	0.8	1.2	3.2	1.7	17.1	2.2	9.0	0.7	6.3	1.4 <sup>2</sup>	5.4
Upper Volta.....	1.3	....	2.5	20.9	N.R.	N.R.	N.R.	N.R.	0.2	....	0.3	....	1.1	....	2.2	20.9
Zaire.....	....	....	8.3	0.1	N.R.	N.R.	N.R.	N.R.	....	....	6.5	0.1	....	....	1.8	....
Zambia.....	22.4	21.4	26.6	30.9	N.R.	N.R.	N.R.	N.R.	7.2	3.6	11.6 <sup>2</sup>	6.1	15.2	17.8	15.0	24.8
Europe.....	170.3	117.5	247.5	130.0	26.9	27.7	42.0	14.3	127.2	88.9	182.9	109.1	16.2	0.9	22.6	6.6
Malta.....	6.7	0.8	14.0	0.8	1.6	Negl.	1.5	....	4.1	0.8	11.0	0.7	1.0	....	1.5	0.1
Portugal.....	19.6	7.9	30.3	10.3	....	....	N.R.	N.R.	19.6	7.5	29.7	10.2	....	0.4	0.6	0.1
Spain.....	144.0	108.8	203.2	118.9	25.3	27.7	40.5	14.3	103.5	80.6	142.2	98.2	15.2	0.5	20.5	6.4
East Asia.....	350.1	203.1	539.6	391.0	17.8	91.7	18.8	144.4	33.5	47.4	49.8	105.8	298.8	64.0	471.0	140.8
Brunei.....	3.2	Negl.	3.8	Negl.	N.R.	N.R.	N.R.	N.R.	0.1	....	0.1	....	3.1	Negl.	3.7	Negl.
Burma.....	27.5	14.0	21.4	1.7	4.7	3.3	2.6	0.7	9.4	1.1	3.1	Negl.	13.4 <sup>2</sup>	9.6	15.7 <sup>2</sup>	1.0
Cambodia.....	....	....	....	....	....	....	....	....	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Indonesia.....	46.0	16.7	57.3	16.7	3.2	8.2	3.6	5.7	4.6	8.5	8.5	11.0	38.2	27.1	45.2	N.A.
Laos.....	....	27.2	0.1	....	N.R.	N.R.	....	....	Negl.	0.1	0.1	....	Negl.	27.1	Negl.	....
Malaysia.....	73.8	84.2	159.6	250.3	1.2	70.7	1.2	130.5	3.6	10.8	10.8	39.1	69.0	2.7	147.6	80.7
Papua New Guinea.....	2.7	0.4	2.5	0.8	N.R.	N.R.	N.R.	N.R.	0.4	0.4	0.7	0.8	2.3	....	1.8 <sup>2</sup>	....
Philippines.....	1.5	25.2	24.9	6.6	....	....	....	....	....	0.6	0.6	....	1.5	24.6	24.3	6.6
Singapore.....	183.7	19.6	255.3	108.4	5.3	5.6	8.6	4.3	7.1	14.0	14.0	51.6	171.3	....	232.7	52.5
Thailand.....	11.7	15.8	14.7	6.5	3.4	3.9	2.8	3.2	8.3	11.9	11.9	3.3	Negl.	....	Negl.	....
Latin America.....	200.7	616.2	242.7	1,072.4	32.0	164.2	55.8	386.6	154.1	268.6	150.9	390.5	14.6	183.4	36.0	295.3
Argentina.....	21.5	65.3	26.1	165.6	2.2	27.7	6.1	97.5	18.9	35.0	19.8	51.8	0.4	2.6	0.2	16.3
Bolivia.....	2.1	7.4	6.6	23.2	1.0	3.0	5.4	16.5	....	4.4	....	6.7	1.1	....	1.2	....
Brazil.....	91.6	272.1	75.4	444.1	8.6	79.6	12.6	157.3	82.8	129.5	62.5	192.6	0.2	63.0	0.3 <sup>2</sup>	94.2 <sup>2</sup>
Chile.....	29.2	82.6	43.0	137.2	14.0	8.8	21.6	17.0	7.2	3.8	5.1	26.5	8.0	70.0	16.3	93.7
Colombia.....	20.5	22.5	21.9	14.2	3.3	1.4	1.1	12.6	17.2	20.5	20.8	0.6	....	0.6	Negl.	1.0
Costa Rica.....	1.3	5.4	3.2	7.7	Negl.	3.4	0.3	6.9	1.3	1.9	2.7	0.7	....	0.1	0.2	0.1 <sup>2</sup>
Dominican Republic.....	0.2	3.4	0.3	21.1	....	3.4	....	21.1	0.2 <sup>2</sup>	....	0.3 <sup>3</sup>	....	....	....	....	....
Ecuador.....	5.4	13.7	6.2	14.3	0.1	2.8	0.3	0.9	5.0	10.9	5.6 <sup>2</sup>	13.4 <sup>2</sup>	0.3	....	0.3	....
El Salvador.....	0.1	5.2	0.1	7.4	....	3.4	....	5.0	0.1	1.8	0.1	2.4	....	....	Negl.	....
Guyana.....	0.4	....	1.0	10.4	0.4	....	....	9.3	....	....	....	....	....	....	1.0	1.1
Guatemala.....	0.4	0.2	1.6	8.6	N.R.	N.R.	....	5.8	0.4	0.2 <sup>2</sup>	1.2	0.2	....	....	0.4	2.6
Haiti.....	1.9	....	1.8	....	N.R.	N.R.	N.R.	N.R.	1.6	....	1.6 <sup>2</sup>	....	0.3	....	0.2 <sup>2</sup>	....
Jamaica.....	0.2	1.3	1.1	5.4	....	1.2	....	5.3	....	....	0.8	Negl.	0.2	0.1	0.3	0.1
Mexico.....	7.6	11.1	23.3	31.3	0.7	9.4	0.7	0.1	6.9	1.7						

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## SECTION II - SOURCE RATINGS

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For each collection program contributing information to the publication, check only the highest rating that is applicable. More than one collection program may be rated as Key, Supplemental, or Incidental for each publication. If the source did not provide any reporting useful in the publication, check the box labeled Not Applicable.

If a single publication treats more than one geographic area and/or topical category and the source mix for each varied then additional forms must be completed; e.g. India—economics—State and Japan—economics—FIR's.

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(21)	3. ELINT 25X1B				
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(32)	(a) Defense Attache				
(33)					
(34)	(b) Other				
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KIQ Related Publication: Yes ☒ No ☐

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Chief, St/P/C/OER

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Information requested by  
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RP 75-20

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